ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN SOUTHERN RHODESIA, NAMIBIA AND TERRITORIES UNDER PORTUGUESE DOMINATION AND IN ALL OTHER TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

Report of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples

GENERAL ASSEMBLY

OFFICIAL RECORDS: TWENTY-SIXTH SESSION

SUPPLEMENT No. 23A (A/8423/Rev.1/Add.1)

UNITED NATIONS

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New York, 1975

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

The present volume contains documents which had been distributed under symbol A/8398 and Add.1.

For documents A/8423 and addenda mentioned in this volume, see *Official Records of the General Assembly, Twenty-sixth Session, Supplement No. 23* (A/8423/Rev.1).

/Original: English/

CONTENTS

I. INTRODUCTION

1. An account of previous consideration by the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples of the activities of foreign economic and other interests in colonial Territories is contained in the reports of the Special Committee to the General Assembly at its nineteenth to twenty-fifth sessions. 1/

2. On 14 December 1970, following its consideration of the report of the Special Committee, the General Assembly adopted resolution 2703 (XXV) entitled "Activities of foreign economic and other interests which are impeding the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples in Southern Rhodesia, Namibia and Territories under Portuguese domination and in all other Territories under colonial domination and efforts to eliminate colonialism, *apartheid* and racial discrimination in southern Africa". Paragraphs 3 to 14 of the resolution read as follows:

"*The General Assembly*,

...

"3. *Affirms* that foreign economic, financial and other interests operating in colonial Territories constitute a major obstacle to political independence as well as to the enjoyment of the natural resources of those Territories by the indigenous inhabitants;

"4. *Declares* that any administering Power, by depriving the colonial peoples of the exercise of their rights or by subordinating them to foreign economic and financial interests, violates the obligations it has assumed under Chapters XI and XII of the Charter of the United Nations;

"5. *Condemns* the present activities and operating methods of foreign economic and other interests in the Territories under colonial domination;

"6. *Condemns* in particular the construction of the Cabora Bassa project, which is contrary to the vital interests of the people of Mozambique and represents a plot designed to perpetuate the domination, exploitation and oppression of the peoples of this part of Africa by the Government of Portugal and the minority racist régimes of South Africa and Southern Rhodesia, and which would lead to international tensions;

1/ *Official Records of the General Assembly, Nineteenth Session, Annexes*, annex No. 15 (A/5840); *ibid.*, *Twentieth Session, Annexes*, addendum to agenda item 23, document A/6000/Rev.1; *ibid.*, *Twenty-first Session, Annexes*, addendum to agenda item 23, document A/6300/Rev.1; *ibid.*, *Twenty-second Session, Annexes*, addendum to agenda item 24, document A/6868/Add.1; *ibid.*, *Twenty-third Session, Annexes*, agenda item 68, document A/7320 and Add.1; *ibid.*, *Twenty-fourth Session, Supplement No. 23 A* (A/7623/Rev.1/Add.1); *ibid.*, *Twenty-fifth Session, Supplement No. 23 A* (A/8023/Rev.1/Add.1).

"7. Requests the colonial Powers and States concerned, whose companies are participants in the construction of the Cabora Bassa project, to withdraw their support from the scheme and put an end to the participation of their companies in the project;

"8. Calls upon the administering Powers to abolish the discriminatory and unjust system of wages applied to the inhabitants of the Territories under their administration and in all other Territories under colonial and racist régimes, notably in southern Africa, and to apply one system of wages to all the inhabitants without any discrimination;

"9. Requests the colonial Powers and States concerned to take legislative, administrative and other measures in respect of their nationals who own and operate enterprises in colonial Territories, particularly in Namibia, Southern Rhodesia and the Territories under Portuguese administration, in order to put a stop to their activities which are detrimental to the interests of the inhabitants of the Territories;

"10. Requests all States to take effective measures to stop the supply of funds and other forms of assistance, including military equipment, to colonial régimes that use such assistance to repress the national liberation movements;

"11. Requests the colonial Powers and States concerned, whose companies and nationals are engaged in such activities, to comply fully with the provisions of General Assembly resolutions 2288 (XXII) of 7 December 1967, 2425 (XXIII) of 18 December 1968 and 2554 (XXIV) of 12 December 1969, and also to adopt effective measures to prevent new investments, particularly in southern Africa, which run counter to the above-mentioned resolutions;

"12. Deplores the attitude of the colonial Powers and States concerned which have not taken any action to implement the relevant provisions of the resolutions of the General Assembly;

"13. Requests the Special Committee to continue to study this question and to report thereon to the General Assembly at its twenty-sixth session;

"14. Requests the Secretary-General to use all the facilities at his disposal to render assistance to the Special Committee in the pursuit of this study."

II. CONSIDERATION BY THE SPECIAL COMMITTEE

3. At its 784th meeting, on 25 March 1971, the Special Committee, by adopting the fifty-eighth report of the Working Group (A/AC.109/L.687), decided to take up, as a separate item, the item entitled "Activities of foreign economic and other interests which are impeding the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples in Southern Rhodesia, Namibia and Territories under Portuguese domination and in all other Territories under colonial domination and efforts to eliminate colonialism, apartheid and racial discrimination in southern Africa". The Committee also decided to refer the item to Sub-Committee I for consideration and report.

4. The Special Committee considered the item at its 829th meeting, on 15 October.

5. In its consideration of the item, the Special Committee took into account the relevant provisions of General Assembly resolutions 2621 (XXV) of 12 October 1970, containing the programme of action for the full implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples; 2708 (XXV) of 14 December 1970, concerning the question of the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples; and other resolutions of the General Assembly, particularly resolution 2703 (XXV) of 14 December 1970 concerning the item. The Special Committee also took into account the report of the Ad Hoc Group established by the Special Committee at its 789th meeting on 7 April 1971 (A/8423/Add.1, annex), as well as the reports of its delegations of observers to the Assembly of the World Peace Council (A/8423 (part I)) and to the special meeting of the Afro-Asian Peoples' Solidarity Organization (AAPSO) (A/AC.109/PV.807).

6. At its 829th meeting, on 15 October, the Rapporteur of Sub-Committee I, in a statement to the Special Committee (A/AC.109/PV.829) introduced the report of the Sub-Committee on this item (see annex to the present chapter). The Sub-Committee's report included five working papers prepared by the Secretariat at the request of the Sub-Committee, which contained information on economic conditions with particular reference to foreign economic interests in a number of Territories.

7. At the same meeting, following statements by the representatives of the Union of Soviet Socialist Republics, the Ivory Coast, Mali, Venezuela, Madagascar and Sweden (A/AC.109/PV.829), the Special Committee adopted the report of Sub-Committee I without objection, and endorsed the conclusions and recommendations contained therein, it being understood that the reservations expressed by certain members would be reflected in the record of the meeting. These conclusions and recommendations are set out in paragraph 8 below.

III. DECISIONS OF THE SPECIAL COMMITTEE

8. The text of the conclusions and recommendations adopted by the Special Committee at its 829th meeting, on 15 October, to which reference is made in paragraph 7 above, is reproduced below:

(a) Conclusions

(1) On the basis of its study of the activities of foreign economic and other interests in Namibia, the Territories under Portuguese domination, Southern Rhodesia and other colonial Territories during the year under review, the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples notes with grave concern that colonial Powers and States whose companies and nationals are engaged in such activities have failed to implement fully the relevant resolutions of the General Assembly, in particular paragraph 4 of the programme of action for the full implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples embodied in resolution 2621 (XXV) of 12 October 1970, and paragraphs 7 and 9 of resolution 2703 (XXV) of 14 December 1970. No legislative, administrative or other measures have been taken to put an end to, or to restrain the activities of, their nationals and companies in the Territories. Those activities have continued to be detrimental to the interests of the indigenous peoples.

(2) The Special Committee's study of the economic conditions prevailing in the Territories shows that the common characteristics of activities of foreign economic interests in these Territories have remained unchanged, particularly in the Territories in southern Africa. The monopolies and other foreign concerns operating in these Territories are guided solely by their own interests, and the support which they give to the colonialist and minority racist régimes has actually increased. Foreign monopolies continue to follow economic and financial policies without regard to the legitimate interests of the inhabitants of the Territories. They continue to develop only those economic sectors which yield the highest profits and to manipulate agricultural production by putting emphasis on export crops, thus reducing the Territories to the role of supplier of agricultural products and raw materials to the metropolitan and other countries. Their high profits are attributable to the special privileges granted them by the colonial administrations and to the existence of a policy of racial discrimination, particularly in the Territories of southern Africa. The African labourers continue to receive wages several times lower than those of non-indigenous workers and have no social security benefits. The monopolies, in collaboration with the colonial Powers, have continued to stifle trade union activities and labour movements. The high profits earned by foreign monopolies have continued to be expatriated to the metropolitan Powers or to remain in the hands of the exploitative minority of foreign settlers. No such profits are invested for the improvement of the economic and social conditions of the indigenous peoples. The monopolies supply the colonial régimes with funds and other forms of assistance, including military aid, with the aim of liquidating the national liberation movements.

(3) The Special Committee's study proves that in the large African Territories of Namibia, Angola, Mozambique and Southern Rhodesia the major feature in the present process of expansion of foreign economic interests is the creation with the assistance of big monopolies controlled from the United Kingdom, the United States, France, the Federal Republic of Germany and Japan, of a new military and para-military industrial complex under the aegis of South Africa which is penetrating deeply into neighbouring Territories of southern Africa. The outward economic thrust is taking place, inter alia, at the two main growth points - the 4,000 megawatt Cabora Bassa Dam already under construction on the Zambezi River and the 2,000 megawatt Cunene scheme on the Cunene River in southern Angola, in which South African financial interests are playing a major role.

(4) In its previous report, the Special Committee noted further developments connected with the Cabora Bassa project, in particular the awarding of a contract for the construction of the project to the Zamco-Zambeze Consórcio Hidroeléctrico, a consortium headed by South African interests and comprising 17 companies, mostly from the Federal Republic of Germany, France and South Africa. The information provided by the Secretariat indicates that despite the condemnation by the General Assembly of the construction of the Cabora Bassa project, work connected with it during the year under review has been greatly expanded. The principal authority for this project, the Cabinete do Plano do Zambezi, which has responsibility for supervising the Cabora Bassa project, as well as studies in connexion with the Zambezi Valley master plan, was created in 1970. Several new firms are involved directly or indirectly, including interests from South Africa, the United Kingdom of Great Britain and Northern Ireland and the United States of America, and some firms already involved in the project have been awarded additional contracts in connexion with the scheme. At the present time, five British concerns are participating in the project, including Barclay's Bank D.C.O. and Imperial Chemical Industries (ICI), which are closely connected with South African financial interests. As a result of the new development, South African firms are responsible for about two thirds, in terms of value, of the contracts, connected with the seheme. The request addressed by the General Assembly to the colonial Powers and States whose companies are participants in the construction of the Cabora Bassa project to withdraw their support from the scheme has been ignored, adn foreign interests from France, the Federal Republic of Germany, South Africa, the United Kingdom, the United States and Canada continue to support the construction of the dam.

(5) The Special Committee, having reviewed new developments in regard to the Cabore Bassa project, reaffirms its previous conclusions concerning the project, namely: (a) The aim of Portugal and the minority racist régimes in southern Africa in undertaking the project with the help of some foreign monopolies is to oppress even more the indigenous inhabitants and to bring to a halt the national liberation struggle of the people, not only of Mozambique but also of Angola, Zimbabwe and Namibia; (b) the project is designed to enable Portugal and the other minority racist régimes in southern Africa to bring more than 1 million settlers to the area who will contribute directly to the war against the people of the Territories; (c) the project will strengthen the economic base of the minority racist régimes in southern Africa, as well as white supremacy in that region; (d) the project will have grave negative political implications not only for the independent and colonial countries of southern Africa but for the continent as a whole, and will lead to international tensions and discord; (e) the Special Committee finds that any foreign participation in the scheme is tantamount to the strengthening of the oppressive minority racist régimes in southern Africa.

(6) The Special Committee also draws attention to the fact that during the past year, new developments concerning the Cunene River Basin scheme in Angola, which has the same purpose of consolidating and strengthening further control of colonialist and racist minority régimes over the colonial Territories of southern Africa, have taken place. Following the agreement with South Africa on the scheme, which comprises a total of 28 projects including the building of dams and hydro-electric stations, Portugal set up the Office of the Cunene River Development Plan, to be responsible for the implementation of the obligations undertaken under the agreement, and work is actually under way on some of the above-mentioned projects. The electricity from this project is intended to feed mainly the mining industrial complexes in Namibia owned by companies from the United States, the Federal Republic of Germany, Canada and the United Kingdom. In addition to this, the project involves bringing between 500,000 and 1 million European settlers into Namibia and Angola.

(7) The Special Committee notes with appreciation that the representatives of the national liberation movements provided the Ad Hoc Group of the Special Committee with valuable information concerning the operation of the huge economic and financial interests from the United States, the United Kingdom, France, Canada, the Federal Republic of Germany, South Africa and Japan in Angola, Mozambique, Namibia and Southern Rhodesia. The representatives pointed out that in Namibia foreign companies have been granted thousands of square miles of concession rights to explore for oil and base minerals. In the Territories under Portuguese domination, Portugal has continued to make it easy for powerful imperialist economic interests to establish themselves in the Territories so that their fate will be bound with that of Portuguese colonialism. In Southern Rhodesia the private sector of the economy is still almost wholly dominated by foreign economic and other interests with the co-operation and support of the illegal régime. Six of the ten major companies in the Territory are entirely South African-owned. The total impact of certain setbacks in the economy caused by economic sanctions has been offset by the expansion of the mining industry by Japanese and South African financial interests. The representatives of liberation movements have been unanimous in the opinion that both the Cabora Bassa and Cunene River projects, in which South Africa is taking a leading part, are military-economic projects which form part of South Africa's aggressive policy against the liberation movement in southern Africa and against neighbouring independent States. These projects have been condemned as a further commitment and involvement of the imperialist Powers in defence of the racist and colonialist régimes of southern Africa. Once these schemes are completed, the colonialist hold over the region will be further consolidated and strenghtened and military and political presence will be established to protect them.

(8) The Special Committee notes with satisfaction that protest campaigns against the involvement of foreign economic interests in the exploitation of the colonial Territories have taken place during the past year all over the world. Prominent among these groups have been the United Church of Christ, the Prebyterian Church, the Southern Africa Committee and the American Committee on Africa, which have protested against the involvement of the Gulf Oil Company in the exploitation of Angolan oil. The Special Committee further notes with satisfaction that during April 1971, several members of the United States Congress announced their support for these protest campaigns. Several other campaigns have been directed against the participation of the General Electric Company in the Cabora Bassa project. During the same month, Barclay's Bank came under heavy

attack from members of the Dambusters Mobilizing Committee for its involvement in the project. Other protests have been registered in Canada against the participation of two Canadian companies - the Aluminum Company of Canada and the Reynolds Company - in the Cabora Bassa project.

(9) Information on the situation in the Territories in the Caribbean and Pacific Ocean areas shows that big multinational corporations are depriving the indigenous peoples of their rights to the wealth of their countries. In spite of the appeal by the General Assembly, the administering Powers have failed to put restrictions on the sale of land to foreigners, and the loss of ownership of land by the inhabitants of the Territories has continued to be the most obvious consequence of this practice in the region.

(b) Recommendations

The Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples:

(1) Reaffirms once again that foreign economic, financial and other interests, as they are continuing to operate in the colonial Territories, constitute a major obstacle in the way of political independence as well as social and economic justice for the indigenous pe ple;

(2) Strongly condemns the present activities and operating methods of those foreign economic and other interests in the Territories under colonialist domination which are designed to keep the colonial peoples subjugated and to thwart their efforts and initiatives toward independence;

(3) Reaffirms the inalienable right of the indigenous population of the Territories over their natural resources and their right to enjoy the benefits thereof;

(4) Condemns the colonialist Powers and States which give their active support to foreign economic and other interests engaged in exploiting the natural and human resources of the Territories without regard to the welfare of the indigenous peoples, and depriving them of the means of stabilizing their economies and achieveing independence;

(5) Strongly condemns the construction of the Cabora Bassa project in Mozambique and the Cunene River Basin project in Angola as being designed to strengthen and perpetuate colonialist and racist domination over the Territories of southern Africa and fraught with serious implications for international peace and security in Africa;

(6) Condemns the positions of the Governments of Portugal, South Africa, the United Kingdom, the United States, the Federal Republic of Germany, France, Canada and other States which have failed to prevent their nationals and companies from participating in the Cabora Bassa and the Cunene River Basin projects, and urges these Governments to withdraw their support from the projects and put an end to participation by companies or individuals of their nationality in those projects;

(7) Reiterates its urgent request that the colonial Powers and States concerned should take legislative, administrative and other measures in respect

of their companies and nationals who own and operate enterprises in the colonial Territories, particularly in Namibia, Southern Rhodesia and the Territories under Portuguese domination, to put an end to their activities which are detrimental to the interests of the inhabitants of the Territories;

(8) Requests the Secretary-General to give the widest publicity possible to the information on the pernicious activities of foreign economic and other interests in Southern Rhodesia, Namibia, the Territories under Portuguese domination and all other colonial Territories, and to the decisions of the General Assembly taken in connexion with these activities;

(9) Requests once again the colonial Powers and States concerned to comply fully with the provisions of General Assembly resolutions 2621 (XXV) and 2703 (XXV) as well as those of previous relevant resolutions of the General Assembly and also to adopt effective measures to prevent new investments, particularly in southern Africa, which are contrary to the above-mentioned resolutions.

ANNEX*

REPORT OF THE SUB-COMMITTEE I

Rapporteur: Mr. E. Weidi N. NWASAKAFYUKA (United Republic of Tanzania)

...

A. Consideration by the Sub-Committee

3. The Sub-Committee considered an item entitled "Activities of foreign economic and other interests which are impeding the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples in Southern Rhodesia, Namibia and Territories under Portuguese domination and in all other Territories under colonial domination and efforts to eliminate colonialism, apartheid and racial discrimination in southern Africa" at its 98th-100th meetings, held between 17 August and 8 October 1971 (see A/AC.109/SC.2/SR.98-100).

4. The Sub-Committee had before it working papers prepared by the Secretariat on economic conditions with particular reference to foreign economic interests in the following Territories: Namibia, Territories under Portuguese administration, Southern Rhodesia, Bahamas, Bermuda, British Virgin Islands, Cayman Islands, Turks and Caicos Islands, and Papua and the Trust Territory of New Guinea (see appendices I-V to this report). It also had relevant information contained in the economic sections of the general working papers prepared by the Secretariat on various Territories, as well as a petition submitted by Mr. Donald J. Wilson, Secretary for Race Relations, the United Presbyterian Church in the United States (A/AC.109/PET.1186). Additional information was contained in a statement by Mr. Jack Seaton representing an organization called Project Mozambique, Canada, heard by the Special Committee on 1 July 1971 (A/AC.109/PV.806).

5. In formulating its conclusions and recommendations on the item under consideration, the Sub-Committee took into account additional information provided by its members, as well as the information contained in the report of the Ad Hoc Group established by the Special Committee a/ and in the reports of its delegation of observers to the Assembly of the World Peace Council, held in Budapest, Hungary, in May 1971 b/ and to the special meeting of the Afro-Asian Peoples' Solidarity Organization (AAPSO) held in Damascus, Syria, in June 1971 (A/AC.109/PV.807).

B. Adoption of the report

6. Having considered the item concerning the activities of foreign economic and other interests in colonial Territories, and having studied the documents and other information available to it, the Sub-Committee adopted conclusions and recommendations c/ on the item at its 100th meeting, on 8 October 1971. The Sub-Committee adopted the present report at the same meeting.

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* Previously issued under the symbol A/AC.109/L.749.

a/ A/8423/Add.1, annex.

b/ A/8423 (Part I).

c/ The conclusions and recommendations submitted by Sub-Committee I for consideration by the Special Committee were adopted by the latter body without modification. They are reproduced in the report of the Special Committee (see paragraph 8 above).

APPENDICES

WORKING PAPERS PREPARED BY THE SECRETARIAT AT THE REQUEST OF SUB-COMMITTEE I ON ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS IN COLONIAL TERRITORIES

APPENDIX I

NAMIBIA

CONTENTS

INTRODUCTION

1. The present working paper supplements previous studies on the economy of Namibia which the Secretariat prepared for Sub-Committee I in 1964, 1967, 1968, 1969 and 1970 and which are reproduced in the reports of the Special Committee to the General Assembly for the years mentioned. a/ The purpose of the present paper is to update those earlier studies by furnishing new information on the main sectors of the economy in which there is foreign investment.

2. As in past years, the task of the Secretariat in preparing this study was complicated by a lack of official economic information on the Territory, particularly information of a statistical nature. This lack is partly due to the attitude of the South African authorities, who in 1969 prohibited the release of official information concerning mining production and investment in Namibia. It is also due to the progressive integration of Namibian services with those of South Africa.

3. Because of the difficulty in obtaining current official data concerning the Namibian economy, this study is largely based on company reports and information from unofficial sources, consisting mainly of newspaper reports. The information reveals, among other things, that Namibia continues to attract large amounts of investment capital from South Africa and other foreign sources. Most of this investment is, however, being used for the development of extractive industries, namely mining and fishing, and will therefore not result in any significant change in the basic structure of the economy as it has been previously described.

4. The Namibian economy as a whole remains in the hands of foreign-owned enterprises in all of its three principal sectors: mining, fishing and stock raising.

A. MINING

1. General

5. Mining remains the dominant and fastest growing sector of Namibia's economy. It is estimated that diamonds still account for more than half the total value of the Territory's exports. However, the production of and search for other minerals continues to expand and to attract large-scale capital investment from

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a/ For the most recent, see Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 23 A (A/7623/Rev.1/Add.1), appendix I; and ibid., Twenty-fifth Session, Supplement No. 23 A (A/8023/Rev.1/Add.1), appendix I.

South African and overseas sources. It is still not possible to provide a detailed account of mining activities in Namibia, partly because of the prohibition on the release of official information, and partly because separate statistics of Namibia's foreign trade have not been published since 1966. In that year, the combined value of exports and local sales of minerals amounted to R127.1 million b/, equal to over 50 per cent of the Territory's gross domestic product. The value of individual minerals was as follows: diamonds, R84.7 million, or over 66 per cent of the total; blister copper, R19.2 million, or 15 per cent of the total; and refined lead, R12.3 million, or 10 per cent of the total. The remaining 8 per cent (R10.9 million) was made up of sal s of zinc, vanadium, tantalite, caesium ore (pollucite) and lithium materials. At the end of that year, a total of thirty companies and individuals were engaged in mining, the two most important being the Consolidated Diamond Mines of South West Africa, Ltd. and the Tsumeb Corporation, Ltd. which together accounted for over 90 per cent of mineral production and which are still the leading companies.

6. The annual report of the Association of Mining Companies, published in March 1971, stated that current falling prices for base minerals could affect the development of new mines in the Territory and even lead, eventually, to the closure of the lower-grade mines; that prospecting was already hindered by anomalies in the Territory's "Mining Law"; and that prescribed conditions of mining in the "homelands" rendered the cost of exploration in those areas almost prohibitive. The report also mentioned a serious shortage of white labour in the Territory. This situation was described as "worsening".

7. It should be noted that, as a result of a policy of "job reservation" pursued by both the South African and "South West African" Governments, Africans are never employed as "qualified" miners even when, as in the case of the Klein Aub and Oamites operations mentioned below, the mines are located within the so-called "homelands".

2. Diamonds

Consolidated Diamond Mines of South West Africa, Ltd. (CDM)

8. Diamond mining continues to be the most important mining activity, accounting for approximately 60 per cent of the total value of mineral production. The industry is dominated by the Consolidated Diamond Mines of South West Africa, Ltd. (CDM), a subsidiary of De Beers Consolidated Mines, Ltd. of South Africa, and the largest producer of gem diamonds in the world. Through direct and indirect ownership of large shareholdings, a major interest in De Beers Consolidated Mines, Ltd. is owned by the Anglo-American Corporation of South Africa, in which De Beers itself owns an important shareholding. The two companies have a common chairman and De Beers also possesses interests in a number of companies in the Anglo-American group. c/

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b/ One rand equals $US 1.40

c/ For further details of ownership, see *Official Records of the General Assembly, Nineteenth Session, Annexes*, annex No. 15 (A/5840).

9. CDM produces over 95 per cent of the total diamonds mined in the Territory. In 1970, the company's net profit after tax amounted to R33.8 million, a drop of 31.7 per cent compared with 1969, when net taxed profit was R52.8 million. Net profit in 1968 had amounted to R46.5 million. Production of diamonds from the company's own concession area, covering 10,259 square miles in the southern part of the Territory, amounted to 1.7 million carats in 1969, the latest year for which figures are available.

10. The foreshore of the concession area leased by CDM from 1967 until the end of 1970 from its subsidiary, the Marine Diamond Corporation, yielded an additional 125,000 carats in 1969, a decrease of 25,000 carats from 1968, owing to a fall in grade. No off-shore mining took place in the Marine Diamond area during 1970, it having been determined that the known undersea reserves had been so depleted as to make further immediate mining unfeasible.

11. Dredging operations continued in the Hottentots Bay area of the concession held by Tidal Diamonds (SWA) (Pty.) Ltd. in which CDM has a 54 per cent interest. A total of 203,000 carats was recovered in 1969.

12. In March 1971, it was announced that CDM would cease all off-shore operations in April as well as discontinuing foreshore operations in the area leased from the Marine Diamond Corporation.

13. In his annual statement for the year 1969, the Chairman of De Beers Consolidated Mines, Ltd. stated that its subsidiary, CDM, had protested to the South African Minister of Finance over the fact that its mining taxes had been increased by R2.7 million without prior consultation and was awaiting the Minister's reply. The report stated:

> "It has always been argued by the Consolidated Diamond Mines on the basis of an agreement made in 1913 between the German Imperial Colonial Office and the Deutsche Koloniale Gesellschaft, to which the Consolidated Diamond Mines' wholly-owned subsidiary The South West Finance Corporation is successor in title, that the Administration is bound not to increase diamond mining taxation in South West Africa without the company's consent."

On this basis it was contended that, at the very least, a consultation was called for before any change in taxation. The increase arose from the fact that, for the first time, the South African loan levy of 4 1/2 per cent was applied to CDM, thus raising the effective rate of mining tax from 45 to 49 1/2 per cent.

14. Prospecting for diamonds continued during the period under review. In January 1970, CDM announced that promising new deposits of conglomerate diamonds had been found within the concession area and that a full-scale prospecting operation was under way to determine whether exploitation would be justified.

Strathmore Diamonds, Ltd.

15. The only other major company carrying on diamond operations in the Territory is Strathmore Diamonds, Ltd., a subsidiary of the Strathmore Service and Finance

Corporation of South Africa. As previously reported,[d/] this company had announced, at the end of 1969, its decision to erect a R1 million diamond separation plant in its prospecting concession area, a three-mile strip of coastline bordered by the Hoanib River in the north and the Unjab River in the south. In May 1970, it was reported that prospecting for alluvial diamonds was continuing, and that construction of the separation plant had commenced.

3. Metals

16. In recent years, the greatest growth in the mining sector has taken place with regard to base metals, primarily copper. Although base metals still account for only 40 per cent of the total value of mineral production, copper has increased in value and output so that it now occupies a position second only to diamonds. The abandonment of prospecting by the Anglovaal company early in 1971, as described below, was considered a serious setback, but it is nevertheless believed that the Territory may yet come to occupy a place in the forefront of world copper production. Prospecting by various companies continues to reveal further extensive deposits of minerals some of which, such as uranium, have not previously been mined in the Territory.

17. There is no current information as to the total value of mineral production in the Territory, the reports of the Ministry of Mines being kept secret, as mentioned above. According to the Inspector of Mines of "South West Africa", however, mineral sales reached record levels in 1969, and were attributable largely to increased production of minerals other than diamonds. The available information concerning metal production in the Territory during 1970, as well as that concerning the export of metals to a number of countries is set out in the two tables below:

Metal production in Namibia, 1970[a/]

(metric tons)

Metal	January-March	April-June	July-September
Cadmium	51	47	52[b/]
Tin	180	180	-
	January-June	July	August
Copper[d/]	11,200	1,300	2,200
Lead	37,000	4,400	4,600
Lead (refined)	32,800	5,300	4,400
Zinc	19,400	2,400	2,500

a/ From World Metal Statistics, December 1970.

b/ Estimates.

d/ See ibid., Twenty-fifth Session, Supplement No. 23 (A/8023/Rev.1), chap. VI, annex, para. 101.

Metal exports from Namibia[a/]

(metric tons)

Metal	Destination	1966	1967	1968	1969	1970
Cadmium	United Kingdom	99.85	143.39	148.52	132.28	121.88[b/]
Lead (refined and bullion)	United Kingdom	15,281	14,406	13,025	12,660	6,089[b/]
Pig lead	Japan	3,296	7,312	1,865	1,109	-
Lead ore	Japan	-	-	-	1,145	-
	Belgium and Luxembourg	85,861	39	-	-	-
Copper	Japan	-	3,976	7,468	8,440	-
Copper ore	Japan	288	7,805	9,173	12,285	-
Zinc ore	United Kingdom	14,878	10,211	11,533	16,360	-

a/ From World Metal Statistics, December 1970.

b/ January-September.

Established operations

(a) Tsumeb Corporation, Ltd.

18. By far the greatest producer of base metals in the Territory is the Tsumeb Corporation, Ltd. which operates the Tsumeb, Kombat and Matchless mines. Principal shareholders of the corporation are American Metal Climax, Inc. and the Newmont Mining Corporation, both of the United States of America, which together own a majority of the shares, and the O'okiep Copper Company, Ltd. of South Africa. The Tsumeb Corporation is managed by the Newmont Mining Corporation. e/

19. In the past, operations were conducted at the Tsumeb and Kombat mines, the former being substantially larger and yielding zinc as well as lead and copper which is obtained from both mines. In June 1970, at a cost of R3.7 million, the company also brought into production the Matchless mine which, when operating at full strength, is expected to produce 750 tons of copper concentrate per month, along with 2,500 tons of pyrite concentrates, which are necessary for refining lead and copper.

20. The company reported the value of metal sold during the year ended 30 June 1970 as R53.6 million, compared with R41.8 million for the previous year. Net profits for the company's 1970 financial year amounted to R20.7 million compared with R10.9 million for 1969. The Tsumeb Corporation paid a company tax of R9.9 million in 1970, compared with R6.7 million in 1969.

21. Production of the various metals during 1969 and 1970 was as follows:

	Short tons				Pounds	Ounces
	Lead	Copper	Zinc	Total	Cadmium	Silver
1969	66,634	30,450	4,205	101,289	509,933	1,273,429
1970	72,060	29,406	8,700	110,166	693,845	1,229,160

22. Capital expenditure during the company's 1970 financial year amounted to R.3.5 million and was utilized for new construction, principally at the Matchless mine.

23. As at 30 June 1970, the ore reserves at the three locations were estimated to be as follows:

Tsumeb mine	million short tons
Positive ore	7.1 (copper, lead and zinc)
Tentative ore	2.0 (copper, lead and zinc)

e/ For full details of ownership, see ibid., Nineteenth Session, Annexes, annex No. 15 (A/5840), paras. 234-237.

Kombat mine	million short tons
Positive ore	2.2 (copper and lead)
Probable ore	1.5 (copper and lead)
Matchless mine	
Probable ore	1.9 (copper and sulphur)

(b) South West Africa Company, Ltd.

24. The South West Africa Company of the United Kingdom (SWACO) operates a lead/vanadate/zinc mine in the Territory at Berg Aukas and a tin/wolfram mine at Brandberg West. Over 89 per cent of the issued share capital is held by four foreign companies: Vogelstruisbult Gold Mining Areas, Ltd. of South Africa, the Anglo American Corporation of South Africa, Charter Consolidated, Ltd. of the United Kingdom and New Consolidated Gold Fields, Ltd. of the United Kingdom. Charter Consolidated Ltd. and the Anglo American Corporation are linked by the fact that each owns a holding in the other.

25. For the year 1969, the company reported sales amounting to £1.6 million and consolidated net profits of £270,000 after paying taxes amounting to £99,000. The company also received £215,000 as dividends from its holding of some 95,000 shares in the Tsumeb Corporation. The company produced 5,730 short tons of lead/vanadate, 20,300 short tons of zinc/lead sulphide, 28,018 tons of zinc silicate and 624 short tons of tin/wolfram from its mines at Berg Aukas and Brandberg West.

26. As at 30 June 1967, ore reserves at Berg Aukas were 2.1 million tons containing 0.7 per cent vanadium oxide; 5 per cent lead; and 24 per cent zinc. At Brandberg West, 2.5 million tons of ore were estimated to contain 0.18 per cent of combined metals - tins and wolfram oxide.

(c) Kiln Products, Ltd.

27. During the year 1969, Kiln Products, Ltd., a company formed by a consortium of South African companies including Consolidated Gold Fields and the Anglo American Corporation, f/ brought into operation on a site leased from the South West Africa Company at Berg Aukas a Waelz kiln for the treatment of zinc slime to give zinc oxide. Kiln Products purchases dump residues and zinc silicate concentrates from the South West Africa Company's Berg Aukas mine. The zinc oxide produced is sold exclusively to the Zinc Corporation of South Africa (ZINCOR) which has a contract to supply the entire zinc requirements of South Africa's government-controlled Iron and Steel Corporation (ISCOR). It was also reported that ZINCOR, in which both ISCOR and Vogelstruisbult Gold Mining Areas, Ltd. of South Africa have large interests, had indirectly financed the construction of the Waelz kiln.

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f/ For details of ownership, see ibid., Twenty-fifth Session, Supplement No. 23 A (A/8023/Rev.1/Add.1), appendix I, para. 28.

(d) Klein Aub Copper Company

28. The Klein Aub Copper Company, which has operated a copper mine since 1965 at Klein Aub in the Rehoboth Baster Gebiet, is owned by the General Mining and Finance Corporation, Marine Products, Ltd. and Federale Volksbeleggings Bpk., all of South Africa. The company is administered by the General Mining and Finance Corporation, which is itself, through direct and indirect ownership, a subsidiary of Federale Mynbou Bpk., also of South Africa.

29. In 1969, the latest year for which figures are available, the declared earnings of the Klein Aub Copper Company were R2.5 million, out of which taxes amounting to R430,000 were paid.

30. Reserves of ore were estimated in 1967 to be 1.7 million tons, with an average copper content of 3.5 per cent. In the same year, the expected life of the mine was put at six years. However, although no figures are available, it has recently been reported that the reserves are, in fact, far greater than these estimates.

(e) Other companies

31. No new information is available regarding the Uis Tin mine, located in the Damara "Homeland" which is owned and operated by ISCOR. Ore production was estimated in 1967 to be 72,000 tons per month, all of which was exported to South Africa.

32. The Khan Mining Group of South Africa, a subsidiary of the Ohlthaver and List Mining Company, continued to operate the Khan copper mine near Swakopmund.

New operations

33. The opening in June 1969 of the Rosh Pinah mine, in the south-west corner of the Territory, at a cost of R5 million is considered to be among the most important mining developments of recent years. The mine is owned by ISCOR through its local subsidiary, the Industrial Mining Corporation (IMCOR) Zinc, which it had formed for this purpose, and produces zinc, with lead and copper as by-products. Zinc concentrates, produced at the rate of 200 tons a day, are sent directly to South Africa for processing by ZINCOR and have already resulted in a decrease of zinc imports by South Africa, from R8 million to R1 million annually. This achievement was described by Mr. S.L. Muller, South African Minister of Mines as "a milestone in the rapid progress of our country's iron and steel industry and of ISCOR", and of strategic importance because "We know we can no longer trust in imports to satisfy our needs in all circumstances." The output of copper lead concentrates amounted to about 40 tons daily, most of which is reportedly exported to the United Kingdom.

34. During 1969, the Navarro Exploration Company of the United States, which operates a mine at Onganja, near Okahandja, enlarged its plant to accommodate about 200 tons of copper a day. The life expectancy of the mine, however, is believed to be short.

Prospecting

(a) Copper

35. As noted above, prospecting for copper is the major focus of new activity in the Territory. Spurred by the discovery that the copper ore deposits at the Klein Aub copper mine in Rehoboth District far exceeded original estimates, and probably extended in a north-easterly direction to beyond the Botswana border, the search for copper has, in the past few years, attracted a number of prominent foreign mining companies and has already resulted in the discovery of one new reef of copper and the opening of at least one major mine.

36. This mine, the Oamites, owned by Falconbridge of South West Africa, a subsidiary of Falconbridge Nickel Mines, Ltd. of Canada, was scheduled to open in July 1971 at a cost of R5 million and is expected to produce 50,000 tons of ore a month, yielding an estimated 1,300 tons of copper concentrates, as well as a small amount of silver (13 parts per million). Located sixty-four miles due south of Windhoek in the Rehoboth Gebiet, the mine is reported to have proven ore reserves of 4 million tons with a copper content of 1.7 per cent, and is thought to have a life expectancy of eight to thirty years. More exploration is still to be carried out to determine the exact extent of the ore body. Negotiations to make the government-controlled Industrial Development Corporation a partner in the mine were reportedly under way.

37. In December 1970, it was announced that Falconbridge had proved a copper deposit at a location about twenty miles from the town of Kombat (where the Tsumeb Corporation mines lead and copper) comprising ten farms on which Falconbridge had taken an option. It was reported in December 1970 that a full-scale exploration programme had been launched to determine the full extent of the reserves.

38. During 1970, the FEDSWA Consortium continued to prospect for copper in an 8,500-square mile concession block running from the Klein Aub copper mine to the Botswana border. The Consortium consists of the companies which own the Klein Aub Copper Company: Federale Mynbou Bpk./General Mining and Finance Corporation, Marine Products, Ltd. and Federale Volksbeleggings Bpk., all of South Africa. At the end of 1970, it was reported that the Consortium would take a decision shortly on whether to go ahead with its proposed copper mining venture in the Witvlei area.

39. Exploratory work continued throughout 1970 in the concession held by the Africa Triangle Mining, Prospecting and Development Company (Pty.), Ltd., commonly referred to as the Anglovaal concession, which comprises a total of 1,500 square miles in several separate areas in the vicinities of Rehoboth and Gobabis. Shareholders in the Africa Triangle Company are the Anglo-Transvaal Consolidated Investment Company, Ltd. (Anglovaal) of South Africa, the Tsumeb Corporation, De Beers Consolidated Mines, Ltd. of South Africa, the Anglo American Corporation of South Africa and the United States Steel Corporation. During 1969, the group was reportedly taking ore samples at Witvlei in an area some 100 miles east of Windhoek with a view to opening as many as three mines there when the problems of water and power had been solved. However, in February 1971 the group decided to cease operations in the Witvlei area and to move out their laboratory and plant. A formal announcement to the effect that prospecting operations in the Witvlei area were being "curtailed" was made by the Anglo-Transvaal Company in April.

40. The General Mining and Finance Corporation, which operates the Klein Aub mine is also engaged in exploration. In June 1970, the chairman of the corporation announced that his company had found a promising copper body near Witvlei, adjacent to the Anglovaal concession. Core drilling had already proved three million tons of copper ore, graded at 1.6 per cent, and further exploration would be conducted over a 2-million hectare area. The decision to establish a mine, the chairman said, would depend on the actual mining costs, as well as water, power, labour transport and recovery costs.

41. The Manager of the Ohlthaver and List Mining Company announced in May 1970 that a small open-cast copper mine belonging to the Khan Mining Group, a wholly owned subsidiary of Ohlthaver and List, would soon be brought into full production. The mine is located on the Kopermyn farm in the Outjo district, about 160 kilometres north-east of the Outjo-Kamanjab road. It was expected that the estimated ore reserve of about 100,000 tons would be exhausted within four or five years, with about 2,000 tons of ore being milled each month.

42. Some years ago the Tsumeb Corporation concluded a joint venture agreement with the South West Africa Company, Ltd. which granted certain exploration rights to Tsumeb. It was reported in 1970 that this partnership had located an ore body of 594,000 tons containing copper and lead at Asis Ost in the Otavi Valley. The ore was graded at 1.82 per cent copper and 0.2 per cent lead.

43. During 1969/70, at its Matchless West Extension (see paragraph 18 above) the Tsumeb Corporation located an ore body of some 600,000 tons averaging 2.27 per cent copper and 12.78 per cent sulphur. This deposit is separate from the "probable reserves" of ore listed in paragraph 23, above.

44. South Africa Vendôme (Pty) Ltd. a subsidiary of the French Société Minière et Métallurgique de Peñarroya announced in November the discovery of a copper deposit in the vicinity of Walvis Bay.

45. It was reported in September 1970 that the General Mining and Finance Corporation, in consort with Johannesburg Consolidated Investments (JCI), in which the Anglo American Corporation has a major interest, and Sarusas Development Corporation of South West Africa, in which the principal shareholders are Manbor, Volksas, General Mining and the Industrial Development Corporation of South Africa (see paragraph 77 below) had been awarded a concession of 30,000 square kilometres comprising the entire proposed Kaokoveld "homeland" and part of "Damaraland", where the search is mainly for copper, but also for iron ore and nickel. Under the terms of the three-year concession, the consortium will pay R70,000 annually to the government-controlled Bantu Mining Corporation for the right to prospect for all minerals except diamonds. Mining lease terms will be decided if deposits are found, at which time the royalty to be paid to the Africans concerned will also be determined.

(b) Iron

46. It is estimated that some 500 million tons of medium to high grade iron are to be found in the Kaokoveld about ninety-five miles from Möwe Bay on the Skeleton Coast. This deposit, which was originally discovered by the Bethlehem Steel Corporation of the United States in 1952, is now held as a mineral claim by

Desert Finds (Pty.) Ltd. which also holds other mineral claims in the area. During 1970, there were optimistic reports that this iron field would be developed. These reports were based on the plans being made by the Fisheries Development Corporation to develop a harbour and fish factory at Möwe Bay as well as an ancillary road and air and rail links. The decision in February 1971 to postpone the whole project indefinitely (see paragraph 77 below) will undoubtedly have repercussions on the development of the iron ore deposits.

(c) Tin

47. In May 1970, the formation by a consortium of South African business interests of the SWA Tin and Koper BpK. (SWATIN) to mine tin north of Swakopmund was announced. The concession area of this new company stretches over 485 hectares and is reported to contain some 4.5 million tons of tin ore. An open-cast mine will mill an estimated 7,000 tons of ore per month, and is expected to produce an annual net profit of R150,000. The company has also applied for four concessions in the "homelands".

(d) Zinc

48. In April 1970, it was announced that in the Toggenburg area, near Grootfontein, the Canadian-owned Etosha Petroleum Company had discovered zinc-bearing ore, and that further exploration was to be carried out to determine its extent (see also paragraph 58 below).

(e) Uranium

49. It will be recalled that, in May 1970, the Chairman of the Board of the Rio Tinto Zinc Corporation of the United Kingdom made the following statement regarding a recent find of uranium ore at Rössing in Namibia:

> "The Rössing uranium deposits, though low grade, are very extensive, and I very much hope it will not be long before we have been able to conclude sufficient long-term contracts for the sale of uranium from this area to justify a decision to bring a mine into production around the middle 1970s."

50. In November 1970, Rio Tinto South Africa (Pty.) Ltd. announced that it would start exploiting uranium at its Rössing mine, near Swakopmund, in 1976. It was believed that the mine would prove to be one of the most important in the world. Ore was to be mined by a consortium in which the Deutsche Urangesellschaft, of Frankfurt, Federal Republic of Germany, was to participate. Work on a bulk sampling plant, being built at a cost of R2 million as the final stage before large-scale mining operations, was nearing completion. The announcement also stated that concentrating operations were expected to begin within the next few months and that work on a prospect shaft was proceeding according to schedule.

51. Earlier in the year, the South West African People's Organization (SWAPO) had reportedly been conducting a world-wide campaign against the purchase by the United Kingdom of uranium from Namibia. The first official indication that the United Kingdom was negotiating for the purchase of Namibia uranium was given

on 13 July 1970 when, in reply to a question in the United Kingdom Parliament by Mr. Evelyn King, the Minister of Technology, Mr. Rippon, stated in a written reply:

> "An agreement between the United Kingdom Atomic Energy Authority and a subsidiary of Rio Tinto Zinc was signed in March 1968, subject to conditions recently fulfilled. Subsequent amendments to the agreement involve additional deliveries of ore in certain years."

52. A spokesman for the Government of the Federal Republic of Germany stated on 12 January 1971 that his Government had provided the Deutsche Urangesellschaft, with financial aid totalling 6 million Deutschmarks g/ for the exploration of uranium deposits in Namibia, but added that no decision had yet been made on whether to give the company any support for mining uranium there. On 12 January, a spokesman for the Rio Tinto Zinc Corporation of the United Kingdom was reported to have said that the company was still interested in developing the uranium deposits at Rössing, despite reports that the Deutsche Urangesellschaft might withdraw from the Anglo-German mining project. It was then estimated that the cost of this project would be from R150 million to R200 million.

53. According to the estimates of expenditure to be defrayed from the "South West Africa Account" for the financial year ending 31 March 1971, a total of R100,000 was to be spent on a state water scheme for the mining area around Rössing. This scheme is expected to cost a total of R1 million.

4. Petroleum

54. As previously noted, h/ during 1968 the "Territorial Administration" through the agency of the Southern Oil Exploration Corporation (South West Africa) Pty. (SWAKOR), a subsidiary of the government-controlled Southern Oil Exploration Corporation (SOEKOR), granted eight oil concession areas covering almost 90,000 square miles to the following international companies:

Shell and British Petroleum (one land and two off-shore blocks)

De Beers Consolidated Mines, Ltd. and Societé Nationale de Pétrole d'Aquitaine (one land block)

Gulf Oil Company (two off-shore blocks)

Chevron Oil, a subsidiary of the Standard Oil Company of California (one off-shore block)

H.M. Mining and Exploration Company, Syracuse Oils and Woodford Oil and Gas Company (one off-shore block).

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g/ One mark equals 28.6 cents.

h/ See Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23 (A/8023/Rev.1), chap. VI, annex, para. 112.

55. As an example of what is involved in a concession agreement, the BP Development Company of South Africa, Ltd., and Shell Exploration South West Africa (Pty.), Ltd. were obliged by the terms of the agreement to spend at least R500,000 per annum in each concession block for the first three years.

56. In March 1970, the Gulf Oil Company announced that it had completed its survey of a 5,000-square mile concession area stretching from the Cunene River to the twentieth parallel and that a decision on whether to bring in a drilling rig would be taken within about six months, after the survey findings has been evaluated.

57. In May 1970, it was reported that the De Beers/Aquitaine group was exploring oil in a concession area covering 30,000 square miles, between Daberos in the north, the Karasberge in the south and Aus in the west. A full exploration programme had been drawn up to gather data and the survey work on the concession was expected to take three to four years to complete. The remaining companies were reported to be carrying out preliminary seismic works only.

58. In December, the Etosha Petroleum Company (Pty.), Ltd. a wholly owned subsidiary of Brilünd Mines of Canada, whose oil prospecting concession, covering 117,000 square miles in the northern part of the Territory, predates those named above, announced that eleven potential oil structures had been found, ranging in area from 80,000 to 125,000 acres each. It added that these structures were the immediate drilling sites for the next phase of its planned programme, and were in three different oil environments of the concession area.

59. In February 1971, a consortium formed by Standard Oil of California and Texaco was reported to have received permission from the South African Department of Mines to go ahead with off-shore prospecting in a concession area covering 4,000 square miles which had been granted before 1968 to the Marine Diamond Corporation and CDM, both subsidiaries of De Beers Consolidated Mines, Ltd., of South Africa. This area lies north of Oranjemund and extends to a depth of 600 feet in the Continental Shelf.

5. Other mining activities

60. In August 1970, it was announced that the Nord Mining Company of the United States was sinking a shaft to investigate a wolfram deposit near Omaruru. In October 1970, the Bethlehem Steel Corporation, a shareholder of the Newmont Mining Corporation, joined the Tsumeb Corporation in assessing a fluorspar deposit in the Tsumeb District. In February 1971, it was reported that the Johannesburg Consolidated Investment Company was planning to work gypsum deposits near Swakopmund on a large scale.

B. FISHING

1. General

61. Fisheries are one of the Territory's main economic assets. Pilchards, found primarily along the shores near Walvis Bay and northwards, are by far the most important product, accounting for some 90 per cent of the total annual earnings of R40 million of the fishing industry. Next in importance are rock lobsters, followed by white fish and seal oil and pelts.

62. During 1970, the pilchard industry showed further effects of over-fishing as a result of which the South African Government took additional measures on several occasions to limit the season for fishing and reduce the quotas for the land-based factories. Attempts were also made to limit the activities of the factory ships operating off the Namibian coast. The rock lobster industry suffered similarly during 1970.

2. Companies

63. The major companies concerned in the fishing industry include Ovenstone South West Investments, Ltd. (OSWILS); South West Africa Fishing Industries, Ltd. (SWAFIL); Marine Products, Ltd. (which owns one third of the shares of the Klein Aub copper mine, see paragraph 28 above); Sea Products (SWA), Ltd.; Suid Kunene Visserye, Bpk.; Angra Pequena Fishing Corporation, Ltd.; and Kaap Kunene Beleggings Bpk (which operates the largest livestock-farming enterprise in the Territory). In addition, Kaap-Kunene and OSWILS jointly own the factory ship Suiderkruis. The company known as Willem Barendsz Ltd. owns a factory ship of the same name. Investment in the industry was estimated at R20.5 million in 1968, of which R13 million was invested in land-based factories and R7.5 million in the fishing fleets.

64. Available information concerning profits in recent years is set out below.

Company	Profit after taxes 1970	1969	1968
	(million rands)		
Land-based			
Marine Products, Ltd.	3.9	3.9	3.5
South West Africa Fishing Industries, Ltd. (SWAFIL)	...	1.8	2.1
Ovenstone Southwest Investments, Ltd.	0.9	1.0	1.2
Suid Kunene Visserye, Bpk	1.0	0.8	1.0
Angra Pequena Fishing Corporation, Ltd.	0.08	0.6	1.0
Factory ship			
Willem Barendsz, Ltd.	0.3 a/	1.0	(1.0)

a/ Profit before taxes.

3. Pilchards

65. There are nine land-based pilchard processing factories, each with a basic annual quota of 90,000 tons. During 1970, 567,000 tons of pilchards were caught, compared with 1.33 million tons in the previous year. The sharp drop from the 1969 total was attributed to over-fishing, with operations of South African factory ships and trawlers of foreign nationality off the Namibian coast as a contributing factor. The 1970 quota for the two South African-owned factory ships operating off the coast, was fixed at 500,000 tons (300,000 tons to the Suiderkruis and 200,000 tons to the Willem Barendsz). However, the Suiderkruis was not active in Namibian waters in 1970.

66. In a third interim report submitted to the South African House of Assembly in September, the Commission of Enquiry into the fishing industry of South Africa (including the Territory of "South West Africa") made a number of recommendations concerning the pilchard sector of the Territory's fishing industry. The Commission was said to have no doubt whatever that the fishing resources off the Namibian coast had been overtaxed and that drastic measures would have to be taken to build this stock up again. The report and recommendations did not have the unanimous agreement of all seven members of the Commission and a minority report was submitted by three members proposing even stronger conservation action.

67. On 10 November, after having considered the report of the Commission of Enquiry, Mr. S. L. Muller, South Africa's Minister of Economic Affairs, substantially implemented its recommendations by announcing that: (a) the current quota of 90,000 tons for each of the Territory's factories would be maintained, but, in future, 45,000 tons would consist of pilchards and the rest anchovies; (b) a factory could not continue catching once its quota of 45,000 tons of pilchards was filled, even if the additional 45,000 tons of anchovies had not yet been caught; (c) as from 1971, the catching and processing season would commence on 15 February and end on 15 September; and (d) in future, no factory would have more than twelve boats catching fish. Soon after the announcement, the entire fleet of the South African Fisheries Research Department was assigned to the Walvis Bay area in order to investigate the Territory's fishing resources.

68. In a report published in December, Dr. Jan Lochner, a member of the Commission referred to above and a fishery expert, stated that his own study of the Territory's fishing industry, conducted in 1968, showed that the rate of catching was imperilling the pilchard resource and that there was an urgent need for a drastic reduction of the quota of the pilchard sector of the industry. He further stated that, had his recommendations been implemented at the beginning of 1969, this sector would have been able to land 1.2 million tons annually from 1974 without any danger of the resource collapsing. He proposed that the total pilchard quota for 1971 should be limited to 200,000 tons and that a ceiling of 10 per cent above this figure should be maintained on annual growth. He believed that, subject to the adoption of measures to give effect to these proposals, it would take twenty years of carefully controlled conservation to restore the resource. He also believed that if the fishing effort continued as planned at present by the South African Government, only about 365,000 tons of pilchards would be landed, and that the resource would not recover during the life-time of those now employed in the sector.

69. In January 1971, it was reported that a number of boat owners and skippers, who considered that the pilchard sector of the fishing industry would not recover, had left Walvis Bay.

70. At the end of the month, delegates from the fishing industry had discussions in Cape Town with representatives of the South African departments concerned, after which they decided to ask the Minister of Economic Affairs to: (a) further modify the existing annual quota; and (b) shorten the 1971 fishing season by two weeks (to make it run from 15 February to 31 August) and the 1972 season by another two weeks (so that it would last from 1 March to 31 August). Shortly after this, the South African Minister of Economic Affairs, implementing the industry's request, cut the pilchard content of the 1971 quotas of the nine land-based factories to 30,000 tons, after which all fishing has to stop, regardless of whether the remaining 60,000 tons of anchovies has been caught.

71. On 5 February 1971, a spokesman for Willem Barendsz, Ltd. said in an interview in Cape Town that the company would utilize the full 200,000-ton quota which had been granted to it in 1968 and that its factory ship of the same name would soon arrive in Namibian waters. The Willem Barendsz licence prohibits it from taking fish within twelve miles of the shore, but it does not contain any restriction on the pilchard content. However, according to a report by a financial analyst, published at the end of May, it appeared probable that the Willem Barendsz factory ship would be able to catch only some 80,000 tons during the season. On 18 February, after a South African naval task force seized the Atlantic Endeavour (a catcher working on contract for the company) off the Namibian coast, its entire crew were brought to the Walvis Bay Magistrate's Court to face charges of fishing in territorial waters. They were found guilty and heavily fined.

4. Rock lobsters

72. During 1970, three rock lobster factories worked at Lüderitz with the aggregate annual quota of 260,000 cartons (each weighing 9.1 kg.) or 5,205,200 pounds. Of this quota, only 104,000 cartons were produced, with the result that the annual revenue from rock lobsters attained only an estimated R1.4 million compared with R4 million in a normal year.

73. In an attempt to protect the fishing resources along the Namibian coast, the South African Government, in early 1971, announced its decision to reduce the annual quota for the three factories to 3,540,000 pounds and to shorten the catching season to six months ending 1 July. The economy of the town of Lüderitz, which is based on fish products, particularly rock lobsters, was expected to be adversely affected by this decision.

5. Allegations of corruption

74. In January and February, allegations were made that the previous conservation policy had been abandoned "under pressure of greed backed by powerful political influence" and that "there are political forces with executive power who want to butter both sides of their bread."

75. In debates in the South African House of Assembly in Cape Town in February 1971, Mr. J.W.G. Wiley, the member for Simonstown, and a member of the United Party

chief opposition spokesman on questions relating to the fishing industry, stated that nowhere in the past ten years had there been greater mismanagement and political nepotism than in the fishing industry, and that the recent history of the industry had been one long series of deals with "political pals and business buddies". In support of his accusation that there had been "reckless mismanagement" of the fish industry he cited the following events: (a) The "South West Africa Administration" had at first refused to grant a fishing licence to the owners of the factory ship Willem Barendsz, but these objections had been disregarded and a licence had been granted. A licence was also granted to the Suiderkruis, which, at the time, had not even been bought. (b) In "South West Africa", there had been two large crayfishing companies operating from Lüderitz before 1963. In that year, the Angra Pequena Company had been granted a licence to export 25,000 cases. In the following year, Wesbank Vissery had been granted a quota of 80,000 cases. An interesting stipulation in their case was that the crayfish had to be caught only on certain islands off the "South West African coast, one of which was in a sanctuary where even "South West African" licence-holders were not permitted to fish. The "South West Africa Administration" had not been consulted about the granting of the licence and had sent a deputation to interview Dr. Verwoerd, then Prime Minister, on the matter. As a result of the talks, Angra Pequena's quota had been increased to 94,000 cases and Wesbank's quota had been withdrawn. Whether this compromise had achieved anything was debatable, however, as the boards of the two companies were very similar and the shareholders of Wesbank had been compensated with special privileges in a rights issue by Angra Pequena in the following year. Some of the major shareholders in these two companies were prominent members of the National Party. (c) The reckless issuance of licences by the Government had led to the near collapse of the pilchard industry.

76. Replying in the Assembly, the Deputy Minister of Finance and Economic Affairs, Mr. A.H. du Plessis, who is also the Nationalist member for a "South West Africa" constituency, while admitting that mistakes had been made, accused the United Party of using the fishing industry as part of their campaign of character assassination.

6. Harbour development

77. It will be recalled that the Sarusas Development Corporation had been granted a pilchard quota of 90,000 tons in 1967 i/ in an attempt to develop the fishing resources north of Walvis Bay. An integral part of the scheme was the development of a fishing harbour at Möwe Bay on the Skeleton Coast of the Kaokoveld and, for this purpose, Sarusas was to pay certain of its profits from its pilchard quota into a trust fund which was to be used to help develop the harbour. Pending the construction of the harbour and fish factory at Möwe Bay, arrangements were made for the Sarusas quota to be processed by factories at Walvis Bay. In February 1971, however, it was reported in the press that the Fisheries Development Corporation had decided to postpone the Möwe Bay project indefinitely. According to the report, the reasons for this decision were connected with the dangers of over-exploitation of fisheries resources and the insurmountable problems of developing a harbour on the inhospitable Skeleton Coast.

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i/ See ibid., Twenty-third Session, Annexes, agenda item 68, document A/7320/Add.1, appendix II, paras. 49-52.

C. AGRICULTURE AND HUSBANDRY

1. General

78. Commercial farming, the Territory's third basic industry, consists mainly of cattle and sheep raising, both of which are primarily European activities. Animal husbandry has been seriously affected during the past year by one of the worst droughts in the history of the Territory.

2. Beef

79. Export of cattle to the South African markets forms the basis of the beef industry in the Territory, because only a fraction of the beef output can be absorbed locally. During 1970, out of Namibia's cattle population of 1 million, an all-time record of about 315,000 head were exported to South Africa as a result of the drought. This represented an increase of 15,000 head over the previous year. The income per animal, however, was less than in 1969, because of an over-all drop in the grading.

80. Towards the end of the year, the condition of cattle deteriorated to such an extent that the Territory could no longer fill its monthly quota of between 25,000 and 30,000 head to be exported to South Africa. A meat processing factory at Okahandja, owned by African Meat Canners, ceased to operate after having been re-opened in May as part of the drought relief scheme. Another recently re-opened factory at Otavi was also expected to be closed soon. Their closure coincided with the appointment by the South African Minister of Agriculture of a committee to investigate both the Windhoek municipal abbatoirs, which had an accrued loss of R332,000, and a plan for exporting frozen beef rather than cattle on the hoof to South Africa.

81. The South African Minister of Agriculture announced in November that the Government had decided to provide financial aid to "South West Africa" farmers in the form of a subsidy against interest payments on the first R100,000 and less on mortgage bonds on farm property to a maximum of 1.5 per cent, but only to the extent necessary to reduce the effective interest rate to 7.5 per cent.

82. In mid-July, the South African Department of Agricultural Technical Services was reportedly preparing a 30,000-hectare quarantine camp at Omatambo Maowe to serve as a future base for the marketing of livestock, particularly cattle, from the Kaokoveld and Ovamboland "homeland" areas. The camp was expected to be ready in 1971. In the meantime, the quarantine camp in the Mangetti area was receiving cattle from Kavangoland which, after being sent to a factory at Otavi for processing, were marketed through the Bantu Development Corporation.

3. Karakul fur

83. The karakul sector of the industry is the second largest agricultural activity in Namibia. During 1970, there were more than 3 million karakul sheep on farms in

the arid centre and south of the Territory. Karakul sheep are raised mainly for their fur, known as "Persian lamb", although some are sold for meat. In 1970, about 248,000 were exported to South Africa for meat.

84. At an auction sale in London in September, 1,901,8?2 karakul pelts were sold at an average price of $7.93, with grey furs obtaining a price about 10 per cent higher. The total volume of the sale was estimated at $US16 million. At further auctions held in London in the early part of February 1971, Boere-Saamwerk Bpk/Eastwood and Holt, Ltd. sold 369,245 furs at an average price of $US9.76 each, African Karakul Auctions/Anning Chadwick and Kiver, Ltd. marketed 170,754 skins at an average price of $US9.91 each; while the Farmers' Co-operative Wool and Produce Union, Ltd./Hudson's Bay Company disposed of 320,855 furs at an average price of $US10.02. A total of 860,854 furs were sold, realizing the sum of $US8.5 million. Although press reports indicated that some of the skins may have been of South African origin, it is believed that the overwhelming majority came from Namibia.

85. It was reported that during the latter part of 1970, karakul sheep breeders were applying in increasing numbers for assistance under the Livestock Reduction Scheme, initiated in June with a view to restoring the carrying capacity of drought-affected sheep farms. Under the scheme, a farmer would be entitled to apply for a reduction of one third in his stock over a period of five years, during which time the State would pay him R15 for each of the first 600 sheep that were eliminated and a lesser amount per head for the remainder.

86. In January 1971, a state of near despair was reported to prevail in the south-western area of the Territory which was particularly badly stricken by the drought.

4. Dairying

87. Dairy production, the third sector of the agricultural industry, is very susceptible to drought conditions. This sector is controlled by a statutory board consisting of representatives of the territorial "Administration" and the producers, especially the manufacturers of butter. According to the board, in December 1970, the Territory imported 115,000 kilogrammes of butter, the principle dairy product, to supplement local production amounting to 13,000 kilogrammes. The output of each of the Territory's four butter factories was absorbed in the particular town where each factory was situated.

5. Other agricultural questions

88. It was announced in the press that, as from 2 January 1971, no agricultural land in "South West Africa" or in the Republic could be subdivided without the consent of the Minister of Agriculture. The report commented that, in "South West Africa", it had been the practice that land parcels larger than 25 hectares could be subdivided without restriction and that subdivisions of land less than 25 hectares in area were subject to decisions by the board of the local township. Although subdivision did not occur frequently in "South West Africa" the practice was slowly increasing with the growth of population and the disappearance of virgin land. It was also reported that the South African Soil Conservation Act was expected to be applied to the Territory as at 1 April 1971.

89. The "South West African" Karakul Breeders' Association and the South African Karakul Breeders' Association announced their amalgamation as the South African Karakul Breeders' Society, an organization concerned with all breeding aspects of the karakul species and recognized by the State as an autonomous body as from 4 January 1971.

90. On 27 January 1971, the South African Department of Agricultural Economics and Marketing was reported to have begun an investigation of the Territory's agricultural industry. The investigation, which centred around the available grazing land in the Territory and ways of veld reclamation and conservation, was aimed at preventing the near disaster which had faced the industry in the previous few months.

D. EXTERNAL TRADE AND REVENUE COLLECTED BY FOREIGN GOVERNMENTS

91. Little information is now available on the exchange of commodities between Namibia and other countries as, on the one hand, South Africa does not maintain separate trade statistics for the Territory, while on the other hand, many of the Territory's trading partners merge their trade statistics for Namibia into their figures for trade with South Africa.

92. The volume of Namibian exports can be gauged to some extent from the production figures cited in sections A, B and C above. Practically the whole output of the mining and fishing sectors was exported, as was a major part of agricultural production.

93. Dividends paid to shareholders of the foreign-owned enterprises in Namibia (all major enterprises in the Territory are controlled by foreigners) amounted to substantial sums. Some of this revenue accrued to foreign Governments in the form of taxes, although their incidence was limited by double-taxation agreements. Substantial sums were also collected by the Government of South Africa. Although precise figures are not available, press reports state that during the financial year ending in March 1970, South Africa collected R104.2 million in revenue from "South West Africa". The reports also indicate that, during the same period, the South African Government spent R79.1 million through its various departments in the Territory. Some of the major sources of revenue within the Territory were as follows:

	(million rands)
Diamond mines	15.6
Other mines	8.5
Companies in "South West Africa"	10.4
Diamond export duty	6.2
Diamond profits tax	6.0

APPENDIX II

TERRITORIES UNDER PORTUGUESE ADMINISTRATION

CONTENTS

INTRODUCTION

1. At the request of the Special Committee, the Secretariat, in 1965 and 1966, prepared a series of seven working papers containing background information for the study undertaken by Sub-Committee I on the activities of foreign economic and other interests which are impeding the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples in the Territories under Portuguese administration. These working papers contained information on mining; land concession, occupation and settlement; agriculture and processing industries; foreign-owned railways in Angola and Mozambique; and Mozambique's economic relations with South Africa and Southern Rhodesia. a/

2. Since then, a study has been prepared each year giving information on new capital investments and other economic activities, with special reference to foreign interests. b/

3. The present working paper supplements the previous studies in this series of which it forms an integral part. Background information on the general economy of the Territory is contained in the working papers reproduced in the reports of the Special Committee. c/

4. As reported previously, since September 1968 the Portuguese Government has adopted a new policy of attracting foreign investments in Portugal as well as in the overseas Territories. Statements by Portuguese authorities in the economic and financial fields indicate that there have been also some fundamental changes in basic concepts, including the approach to investments. As regards foreign investments, these changes have been summed up as follows: recognition that Portugal must participate in European economic integration; recognition of the need "for collaboration of foreign capital integrated in the political and economic aims of the country" (underlining added); and recognition of the need to encourage export manufactures. In Portugal, this new orientation has been accompanied by a revision of the industrial licensing regulations to encourage modernization and the establishment of new industries and a reorganization of the financial and money markets.

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a/ *Official Records of the General Assembly, Twentieth Session, Annexes*, addendum to agenda item 23 (A/6000/Rev.1), chap. V, appendix, annexes I and II; *ibid.*, *Twenty-first Session, Annexes*, addendum to agenda item 23 (A/6300/Rev.1), chap. V, annex, appendices I to V.

b/ For the most recent see *ibid.*, *Twenty-fourth Session*, *Supplement No. 23 A* (A/7623/Rev.1/Add.1), appendix II; *ibid.*, *Twenty-fifth Session*, *Supplement No. 23 A* (A/8023/Rev.1/Add.1), annex, appendix III.

c/ For a summary description of the economy of the Territories, see *ibid.*, *Twenty-second Session, Annexes*, addendum to agenda item 23 part II (A/6700/Rev.1), chap. V. See also *ibid.*, *Twenty-fifth Session*, *Supplement No. 23* (A/8023/Rev.1) and A/8423/Add.4.

5. Under the Portuguese system, the Government may make contracts with foreign companies or with companies whose capital stock is totally or largely foreign owned, which are set up in Portugal or the overseas Territories, defining the Government's participation and measures guaranteeing financial support, reductions or exemptions from taxes and other facilities. In the case of the overseas Territories, special provisions have often been made in the past in such contracts to exempt companies from the usual foreign currency controls, as in the case of the Cabinda Gulf Company (see paragraph 32 below).

6. As reported elsewhere there has been increased criticism during the past year in Angola and Mozambique of their economic relations with Portugal. In both Territories, discussions in the Legislative Council have revealed dissatisfaction with the status of some of the large companies and it has been suggested that the Government should review its contracts with these companies in order, in Angola, to secure a larger contribution from them d/ and in Mozambique, to encourage modernization in order to attract new investments. e/ Also, the Third Round Table Conference on Industry, which met in Lourenço Marques in December 1970, again called for an immediate revision of the legislation defining and establishing economic integration between the Territories and Portugal. It may also be recalled, on the other hand, that in October 1969, just before the elections to the National Assembly, the economic associations of Angola addressed a petition to Premier Marcello Caetano asking for reforms because "the free enterprise system, which had been the main factor in the economic development and occupation of Angola" was being stifled by the Government. f/

7. It is possible that the changes contained in the constitutional amendments proposed by the Government may go some way towards meeting the demands of the economic interests. Under these proposals, each Territory would have the right to wider autonomy in the economic sphere, including "the right to possess and dispose of its patrimony and to execute acts and contracts concerning its own affairs" and the right to have an economic régime conforming to the needs of its development and the welfare of its people. g/ Since the Constitution provides that the overseas Territories are "guaranteed the right to administrative decentralization and financial autonomy in accordance with their state of development and resources", it is not clear how much the present system would be changed in the near future. In any case, the mineral resources of the Territories belong to the public domain of the Portuguese State and do not form part of the patrimony of the individual Territories. h/

8. Nevertheless, there are some indications of a new approach to the economic future of some of the Territories. In May 1970, for instance, the Secretary of State for Industry, Mr. Rogério Martins, speaking before the National Defence

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d/ See A/8423/Add.4, annex I.B, para. 22.

e/ See A/8423/Add.4, annex I.A, para. 66.

f/ See Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23 (A/8023/Rev.1), chap. VII, annex I.B, para. 53.

g/ See A/8423/Add.4, annex I.A, paras. 27 ff.

h/ See Official Records of the General Assembly, Twentieth Session, Annexes, addendum to agenda item 23 (A/6000/Rev.1), chap. V, appendix, annex I, paras. 7 and 8.

Institute of Higher Studies, emphasized the need for a maximum "administrative decentralization" of all matters that were of purely local concern. In particular, he suggested that Portugal should face the challenge of developing Angola and Mozambique into "model zones of prosperity" in keeping with their natural geographic links and economic markets. As examples, he suggested the development of metallo-mechanical industries and a steel industry in Angola to serve the whole region of West Africa; the expansion of Mozambique's textile production to serve the hinterland and other markets; the use of the phosphates in Cabinda to establish a fertilizer plant to supply the South Atlantic States; and the establishment of a steel mill in Moçâmedes to process the Cassinga iron ore now being exported.

9. In a speech before the Institute of Higher Military Studies in June 1970, he took the position that the validity of the Portuguese system would be determined by the number of black millionaires in the Territories and that the success of Portuguese policy would be reflected in the ratio of blacks and others in executive positions, which should in time correspond to the ratio of the different ethnic groups in the total population.

10. For the time being, there are no signs of this type of far-reaching economic planning for the two Territories. Instead, in Angola especially, new capital investment is concentrating on accelerating mineral and industrial output for export, primarily to ease the Territory's balance-of-payments difficulties.

11. These and other economic activities, including the activities of foreign interests, are summarized below.

A. ANGOLA

12. Since 1969, various reports have emphasized the "complete change" in the structure of the economy of Angola. In that year, for the first time, combined mineral exports - diamonds, iron ore and crude petroleum - exceeded in value exports of coffee, which during the previous decade had accounted for more than 50 per cent of the Territory's export earnings. Portuguese official statistics, for instance, show that since 1962, in terms of value, exports of iron ore have increased by 738 per cent, crude petroleum by 758 per cent and diamonds by 232 per cent. Using 1962 as the base year, the total value of mineral exports, including manganese, increased by 359 per cent. In contrast, the value of coffee exports rose by only 73.4 per cent in this period, owing partly to the limitations imposed by the International Coffee Agreement and partly to the drop in coffee prices.

13. As noted elsewhere, however, the increase in mineral exports has not brought relief to the Territory's exchange problem. In fact, in 1969, Angola's balance-of-payments deficit reached an all-time high of 1,487 million escudos. i/ This was due mainly to a large adverse visible trade balance with Portugal (see below) and to the repatriation to Portugal of earnings from capital investments amounting to 482.7 million escudos, and private transfers of 384.6 million escudos. As shown in table 10 below, the Territory's balance-of-payments deficit would have been even larger had it not been for the influx of private capital, amounting to 1,182 million escudos.

14. It will be recalled that under the 1962 legislation creating the escudo zone common market, all trade restrictions and customs duties were to be abolished by 1972 for "national" goods. The successive moves towards free trade within the escudo zone made it possible for Portugal to retain its position as the principal supplier of the Territory, accounting for an average of 40 per cent of its imports through the decade 1960-1969.

15. In November 1970, as a special measure to help ease the Territory's exchange problem, the Government authorized new quantitative restrictions on imports from Portugal for a period of five years. Textiles, for instance, will be reduced by 12 per cent and wine by 20 per cent below the value of the 1969 imports. Excluding wine, the restrictions are expected to reduce imports from Portugal by 300 million to 400 million escudos a year. However, there is considerable feeling in Angola that the main problem lies in the economic controls exercised by Portugal and that Portuguese businessmen are interested in Angola only as a market and are not interested in buying from it, j/ so that the temporary restrictions will not bring about any basic changes.

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i/ One escudo equals $US0.035.

j/ See A/8423/Add.4, annex I.A, para. 65.

1. MINING

16. As previous reports have shown, mining constitutes the principal area of foreign investment in Angola. In recent years there have been new foreign investments as well as efforts by the Government aimed at accelerating exploitation of mineral resources for export. It is reported that interest in mining is still growing and that at least 2,000 million escudos in mining are to be invested in the mining industry in 1971. The petroleum companies alone are expected to spend 1,300 million escudos - of which 800 million will be from non-Portuguese sources - in prospecting, extraction, equipping and expanding existing activities. In addition, at least thirty-three applications for petroleum concessions were pending in 1970.

17. In the period 1967-1969, iron ore production increased fivefold (see table 1 below), while in terms of value, exports rose from 163.3 million to 1,100.6 million escudos. The value of crude petroleum exports, which had averaged less than 100 million escudos a year in the period 1962-1965, rose to 488 million escudos in 1969. The major countries of destination of these exports are shown in the annex.

Diamonds

(a) Angola Diamond Company (DIAMANG)

18. In May 1971, the fifty-year exclusive contract of the Angola Diamond Company (DIAMANG), covering more than 1 million square kilometres came to an end. In accordance with the terms of its contract, DIAMANG has been allowed to retain a total area of claims not exceeding 50,000 square kilometres, with no claim larger than 2,500 square kilometres. The company also retains the right to continue to work all this area for an unlimited time, and it remains exempt from all taxes, licences, fees, rents and other charges, property, industrial complementary and consumption taxes in force or imposed in the future by central or local government institutions.

19. It may be recalled that under the original contract of 18 May 1921, the Government of Angola obtained from DIAMANG a commitment to make available to it each year a loan in foreign currency equal to half the Territory's share of the profits in the previous year. k/ Since then, DIAMANG has been the Territory's major source of foreign currency and loans. At the end of 1969, the company had contributed to the Territory's budget 4,834.7 million escudos, including its share in profits, dividends, bonuses and loans. Of this total, 2,565.2 million

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k/ For details of the original contract, see Official Records of the General Assembly, Twentieth Session, Annexes, addendum to agenda item 23 (A/6000/Rev.1), chap. V, appendix, annex I, paras. 92-104.

Table 1

Angola: mineral production, 1967-1970

(value in million escudos)

Minerals	1967 Quantity	1967 Value	1968 Quantity	1968 Value	1969 Quantity	1969 Value	1970 Quantity	1970 Value
Diamonds (carats)	1,288,501	1,176.7	1,667,133	1,607.8	2,021,332	2,005.7	1,695,880	...
Iron ore (tons)	1,154,303	41.0	3,218,712	466.4	5,477,657	1,085.4	6,090,888	1,318.8
Crude petroleum (tons)	537,152	253.9	749,514	326.3	2,457,512	899.7	4,200,000 a/	1,389.3 a/
Manganese (tons)	33,180	4.7	9,150	3.1	29,070	7.3	23,000	6.4
Rock asphalt (tons)	27,043	1.2	30,603	1.6	39,282	2.2	...	...
Salt (tons)	77,687	16.3	72,496	14.9	80,181	15.7	87,743	18.7

Source: For 1967: Angola. Anuário Estatístico, 1967.

For 1968-1969: Angola. Boletim Mensal de Estatística, December 1969.

For 1970: Press reports.

a/ Exports.

escudos were paid in the period from 1963 onwards, on an average of more than 350 million escudos a year.

20. In 1969, the Angola Government received 349.02 million escudos from DIAMANG. Of this, 316.02 million escudos represented the Government's 50 per cent share in the profits and 33 million escudos consisted of dividends and bonuses on its shares in the company. The Government received the total amount in various currencies as follows: $US15.1 million, £400,000 and 261.6 million Portuguese escudos.

21. From the beginning, the exclusive concession awarded to DIAMANG has been criticized on the grounds that it gave the company too much authority and too many privileges. DIAMANG was not only exampt from all taxes, etc., but was not subject to foreign exchange controls. The terms of the contracts set no minimum amounts to be spent each year in prospecting, nor was there a minimum quota of mines to be operated. Furthermore, although the Portuguese Government had an appointed representative on the Board of Directors, he had little control over the company's operations and accounts. One of the points at issue in recent years has been the way in which the value of the diamonds was determined, and another has been the way in which the profits were calculated, as not all sales were included.

22. The company's balance-sheets for the years 1963 onwards show an item entitled "vendas de diamantes a apurar" which in that year amounted to 173.7 million escudos. This item apparently represented diamond sales in which the final price of the diamonds had not been fixed and therefore had not been included in the calculations of the profits earned. By 1969, this item had risen to 793.5 million escudos and, according to one report, it exceeded 1,000 million escudos in 1970. Since this sum in fact represented undistributed profits, negotiations between the Portuguese Government and the company finally resulted in half of the amount going to the Angolan Government and the other half going to the company's capital account. The contract embodying the terms of this settlement was signed in October 1970 (Decree Law 536/70, 29 October 1970).

23. Under the terms of this contract, the registered capital of the DIAMANG was increased from 294.1 million to 865 million escudos by transferring 570.9 million escudos from the undetermined diamond sales to the capital account. As a result, the value of the 1,730,000 shares was increased from 170 escudos each to 500 escudos each. An equal amount of 570.9 million escudos was to be paid to the Government of Angola in foreign currency. Of this amount, the Government would receive 460 million escudos in cash and 110.9 million escudos was to be applied towards repayment of the 500 million escudos loan which DIAMANG had made to the Angolan Government in 1967 at a 4 per cent rate of interest and which was to be repaid in five yearly instalments starting in 1968 (Decree Law 47,904, 6 September 1967). The new contract rescheduled the repayment of that loan to five annual instalments from 1971 to 1975. Including the 500 million escudos, at the end of 1969 the Angolan Government's loan balance with DIAMANG amounted to 650.1 million escudos.

24. In June 1971, the Chairman of the Board of Directors of DIAMANG gave the annual general meeting a detailed account of the company's 50 years of operations in the Territory. According to his statement, which was published in full in one of the Angola newspapers, at the end of 1970 the company's accumulated financial resources amounted to 20,230 million escudos. The source of this income and the use to which it was applied is shown in table 2 below.

Table 2

Angola Diamond Company (DIAMANG): record of operations, 1921-1970

	Million escudos	Per cent
Income:	20,230.0	100.0
Paid-up capital	294.1	
Gross income from diamond sales	18,619.7	
Financial operations	1,317.2	
Use of income:		
Employment costs	10,008.9	49.5
Reserves	487.2	2.4
Share in the defence of the Territory (from 1961)	193.2	0.9
Public works for the local population in Lunda	48.2	0.2
Cultural and scientific research	39.0	0.2
Welfare	110.1	0.5
Paid o the territorial Treasury: Total:	5,287.5	26.0
Share in profits	4,191.6	20.6
Dividends and bonuses	380.9	1.9
Purchase of bonds	125.0	0.6
Loans at end of 1970	481.6	2.4
Loans converted to grants	108.4	0.5
Reserves incorporated in capital	570.9	2.8
Distributed dividends excluding the Government	3,482.1	17.2
Other payments to shareholders	58.9	0.3

Source: Report to the annual meeting, A Província de Angola, 1 June 1971.

25. Discussing the controversial question of the company's exemption from foreign currency controls, the Chairman recalled that much criticism had been directed against his company on this question. According to the Chairman, the company was not the only enterprise exempted from exchange controls. Nor was such exemption a reflection of practices of long ago since currently some contracts made provision for such exemption in cases where it would be advantageous to publi· interests "within the limits of possibility".

26. The Chairman of DIAMANG also noted that during its 50 years of operations, the company had delivered 6,640.1 million escudos in foreign currency to the Territorial Exchange Fund. l/ This included: imported capital, 26.8 per cent (25 per cent was required under the contract); profits and dividends paid to the Territory, 16.8 per cent; balance of loans to the Territory at 31 December 1970, 7.5 per cent; purchase of bonds issued by the Territory, 1.9 per cent. In addition, foreign goods imported at no cost to the Territory's foreign exchange amounted to 19.3 per cent, and operation costs incurred outside Angola amounted to 11.6 per cent. Thus, 84 per cent of the company's foreign exchange earnings had been for the benefit of the Territory which, with 200,000 shares, was the largest single shareholder. m/

27. In October 1970, the territorial Government allocated 100.9 million escudos of the funds received from DIAMANG for various government activities. These allocations included 28 million escudos for the University of Luanda; 32.4 million escudos for the teaching staff of the Department of Education; 10 million escudos for the police; and 10 million escudos for the purchase of transport vehicles for the public services. It may be recalled that, since 1969, the territorial Government has been faced with the problem of raising enough revenue to meet the demands for more schools, health facilities, road and water supplies. n/

28. In 1971 DIAMANG is expected to spend 650 million escudos on prospecting, demarcation of its concession and purchase of equipment.

(b) De Beers-DIAMANG consortium

29. In May 1971, the Portuguese Government awarded the 975,700 square kilometre diamond concession area freed by DIAMANG to a new consortium formed by DIAMANG and De Beers Consolidated Mines of South Africa, Ltd., known as Consórcio Mineiro de Diamantes (CONDIAMA) (Decree 198/71, 12 May 1971). The two companies are each to subscribe 49 per cent of the registered initial capital and all future capital increases. The remaining 2 per cent will be subscribed by unspecified sources. The Angola Government is to receive 10 per cent of the shares free of charge.

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l/ For a brief explanation of the Exchange Fund, see ibid. Twenty-second Session, Annexes, addendum to agenda item 23 (part II) (A/6700/Rev.1), chap. V, paras. 46-53.

m/ The two next largest shareholders, with over 100,000 shares each, were non-Portuguese, as was one of the next three largest shareholders, with 50,000 to 100,000 shares.

n/ Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23 (A/8023/Rev.1), chap. VII, annex I.B, paras. 143 and 144.

Neither De Beers nor DIAMANG may transfer their holdings in the consortium without the approval of the Portuguese Government. This is interpreted in the Portuguese press as government control over 98 per cent of the capital. The initial capital must be at least 24 million escudos. Once mining operations begin, the Government may require the consortium to increase its capital by 15 per cent, which may be acquired by the Government.

30. Unlike the original DIAMANG contract, which granted the entire concession area for a period of 50 years, the CONDIAMA contract provides for successive reductions of the area held. CONDIAMA must free half the concession area by the end of 1971 and continue the reduction each year thereafter until it has diminished to 30,000 square kilometres at the end of 1977. The consortium must spend a minimum of 240 million escudos on prospecting by the end of 1973 and, once it has demarcated claims it will lose any areas which are not worked during three consecutive years or over a total period of five years. Mining rights are for 25 years and may be extended for two further periods, one of 15 and one of 10 years. The term of the contract is for an initial period of 15 years and may be extended thereafter for subsequent periods of 10 years.

31. CONDIAMA is required to pay: (a) a 12.5 per cent royalty on the value of the diamonds mined, at a reduced rate of 6.25 per cent during the first five years of mining operations; (b) a surface rent, beginning in 1974, of 110 escudos per square kilometre, and rising to 500 escudos per square kilometre in 1977, giving an average of 20 million escudos a year over the four years; (c) 2,500 escudos per square kilometre of demarcated claims; (d) an income tax of 50 per cent of the net profits from the sale of diamonds and other activities, the value of the diamonds being calculated in accordance with the contract provisions; (e) a bonus of 5 per cent of the profits when these attain respectively 200, 400, 800 and 1,600 million escudos; (f) 2 million escudos a year to the Overseas Mining Development Fund the first five years, and 0.5 per cent of the annual diamond sales thereafter, and (g) a bonus of 7 million escudos on signing the contract. In return, the consortium is exempted from all other taxes (except stamp and statistical taxes) and export duties, as well as import duties on necessary equipment, including airplanes and helicopters.

32. Unlike DIAMANG, it is subject to the exchange controls in force in the Territory and must turn over its foreign exchange earnings to the Territory. According to the local press, this question caused some difficulties in the negotiations between the consortium and the Portuguese Government since DIAMANG itself, as well as the Cabinda Gulf Oil Company, is still exempt from these controls. The contract also establishes a system for identifying, recording and storing all diamonds produced. Once stored, the diamonds may be moved only after the territorial geological and mining services have been informed. All stones must be classified and appraised in Angola or Portugal, and the Government may supervise the appraisal. The Government has the right to appoint a government representative and two members to the Board of Directors. In addition, the Governor-General may appoint a special representative to supervise operations.

33. De Beers Consolidated Mines of South Africa, Ltd., was incorporated on 13 March 1888 in the former colony of the Cape of Good Hope, South Africa. It is the world's largest diamond producer. It has pre-emptive rights over all diamond discoveries in other parts of Africa, including concession areas of the South West Africa Co., Ltd., in Namibia. It also controls the Central Selling Organization,

which handles 85 per cent of the total world production of diamonds. Through subsidiaries, the company has substantial interests in the explosives and chemical industries, and in gold, coal and copper mines. It also has synthetic industrial diamond factories at Shannon, Ireland, and Johannesburg, South Africa.

34. In 1969, De Beers' total sales amounted to $US692.1 million; its assets were $US1,050.6 million, and its net income was $US157.2 million. The company ranks ninety-seventh in "The Fortune Directory" for 1970. o/

(c) Other diamond concessions

35. In May 1971, it was reported that Companhia de Diamantes Oeste de Angola, S.A.R.L. (OESTEDIAM) expected to spend 13 million escudos in prospecting. There is no recent information on the other three new diamond concessions granted in 1969 to Diversa-Internacional de Exploração de Diamantes S.A.R.L.; the Companhia Ultramarina de Diamantes, S.A.R.L. (DIAMUL); and the Companhia Nacional de Diamantes, S.A.R.L. (DINACO). p/

36. In December 1970, the Companhia Mineira de Malembo applied for a diamond concession in northern Angola, including the Cabinda enclave. The Companhia Mineira do Malembo is partly owned by the Sousa Machado family, which is connected with the Companhia Mineira do Lobito.

Petroleum

(a) Production and exports

37. Crude petroleum production in Angola rose from 749,514 tons in 1968 to 2,457,510 tons in 1969. Exports rose from 16,764 tons to 1,502,391 tons. Nearly all the increase was from the concession of the Cabinda Gulf Oil Company. During most of 1970, exports of crude petroleum from Cabinda fluctuated around 400,000 tons a month, and total exports for the year exceeded 4.2 million tons, valued at 1,389.2 million escudos. q/

38. In 1969, more than one third of the total quantity of crude petroleum exports went to the Netherlands. Quantities of crude petroleum were also exported as follows: Denmark, 385,927 tons; Spain, 200,479 tons; United Kingdom of Great Britain and Northern Ireland, 80,540 tons; United States of America, 57,368 tons; Portugal, 55,478 tons; and Japan, 36,872 tons. Comparable figures are not yet available for 1970 (see table 3 below). In 1971, it was reported that Spain had agreed to purchase 700,000 tons of crude petroleum annually from the Cabinda Gulf Oil Company.

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o/ "The Fortune Directory: The 200 Largest Industrials outside the United States", Fortune, June 1970.

p/ For a description of these concessions, see Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23 A (A/8023/Rev.1/Add.1), annex, appendix III, paras. 21 ff.

q/ In April 1971 a government spokesman said that with the production of 110,000 barrels a day in Angola, Portugal ranked twenty-ninth among the world's petroleum-producing countries.

Table 3

Angola: crude petroleum and petroleum products: destination of exports, 1968-1969

Country	1968 Tons	1968 Thousand escudos	1969 Tons	1969 Thousand escudos
Crude oil				
Total exports	16,764	5,163	1,502,391	485,110
Netherlands	-	-	685,727	222,308
Denmark	-	-	385,927	124,085
Spain	0	0	200,479	64,569
United Kingdom	0	0	80,540	26,013
United States	62	7	57,368	19,266
Portugal	16,701	5,155	55,478	17,005
Japan	-	-	36,872	11,865
Fuel oil				
Total exports	257,106	104,171	250,800	99,083
Shipping	209,007	88,360	148,780	68,115
Portugal	29,100	10,382	66,561	23,849
Greece	-	-	35,231	6,913
Petrol				
Total exports	0	2	418	974
São Tomé and Príncipe	-	-	417	967
Shipping	0	2	1	7

Source: Bank of Angola. Annual Report, 1969.

39. As a result of the increased petroleum output, revenue from this source (receitas resultantes do regime tributário especial das indústrías petrolíferas) has increased sharply since 1966 (see table 4 below). In 1970, revenue from petroleum production was expected to provide almost 10 per cent of the Territory's ordinary revenue. In 1970, however, despite an all-time record output, the estimated revenue from this source was revised downwards, presumably because of

overpayment the previous year when production fell below planned targets. r/ At the end of 1970, following the Teheran agreement on petroleum, the Portuguese Government introduced the use of posted prices as the basis for calculation of the taxes and duties levied on petroleum and profits from oil operations. According to the Portuguese press, the changes are expected to increase the Territory's revenue "by millions of escudos".

Table 4

Angola: revenue from the petroleum industry, 1965-1970

(million escudos)

	Estimated	Actual
1965.	4.2	4.2
1966.	4.2	4.2
1967.	87.5	39.1
1968.	141.0	38.2
1969.	522.1	530.4
1970.	218.5 a/	...

Source: Bank of Angola. Annual Report.

a/ Decrease from 1969 because of an adjustment in the estimated receipts from oil operations.

(b) Prospecting and mining

(i) Cabinda Gulf Oil Company

40. In October 1970, the Minister for Overseas Territories signed a new contract with the Cabinda Gulf Oil Company changing some of the provisions of the previous contract.

41. It will be recalled that, under the terms of its contract of 19 December 1966, the company was required to release 25 per cent of the area of its concession at the end of 1968, another 25 per cent by 1 January 1970 and a further 25 per cent by 1 July 1971. It was also required to spend a minimum of 75 million escudos a year in prospecting and to pay the Government of Angola a bonus of 20 million

r/ See Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23 A (A/8023/Rev.1/Add.1), annex, appendix III, para. 47.

escudos in United States dollars on each extension of the concession contract. s/ According to an unofficial source, between December 1966 and December 1970 the company spent more than 1,000 million escudos in prospecting. The company had therefore more than fulfilled the minimum expenditure requirements.

42. The new contract, the text of which is not yet available, will take into account the newly introduced international prices of petroleum products (posted prices) as a means of determining the Government's share of the profits. At the end of 1970, the company was reported to have begun a programme of investments exceeding 1,500 million escudos. The company expects to increase production to 7.5 million tons a year.

43. In September 1970, the company paid 62 million escudos to the Government of Angola in fulfilment of its contractual obligations for the first six months of the year. According to a statement made by a representative of the Gulf Oil Corporation in May 1971 to the Sub-Committee on Africa of the United States Congress Committee on Foreign Affairs, at the end of 1970 the company had paid a total of $US30 million in taxes, royalties and special payments to the Government of Angola. Most of this sum was paid in the form of advances against royalties and taxes on anticipated future oil production.

(ii) ANGOL-PETRANGOL

44. As reported previously, ANGOL-PETRANGOL now has several petroleum prospecting activities: ANGOL alone; the PETRANGOL-ANGOL Association; the ANGOL-TOTAL Association (ANGOL and the Compagnie Française des Pétroles); and the PETRANGOL-ANGOL-TEXACO Association. t/ No details are available on ANGOL's prospecting activities in its own concession, which includes the off-shore areas of Ambriz, the Congo and the Cuanza river basins. According to ANGOL's report for the year ending 31 December 1970, it has made two further requests for petroleum prospecting and mining rights, one in the Benguela-Moçâmedes area, and another to extend its present off-shore concession beyond 200 metres in depth. A decision on these requests was still pending at the end of May 1971.

45. ANGOL-TOTAL carried out prospecting in the eastern part of the Cuanza basin with refraction seismic profiles and gravimetric surveys at a number of points. It also made some test drills, which revealed the existence of gas and petroleum. In 1971, drilling will begin off-shore from Ambriz.

46. ANGOL-TEXACO carried out prospecting in the outer Congo River Basin region, and PETRANGOL-ANGOL-TEXACO has made some test drills in the inner Congo River Basin region and begun some drilling. It has also begun soundings in the maritime

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s/ *Ibid.*, Twenty-third Session, Annexes, agenda item 68, document A/7320/Add.1, appendix III, para. 24.

t/ For a description of the contracts and the concessions, see *ibid.*, Twenty-second Session, Annexes, agenda item 24, document A/6868/Add.1, appendix III, paras. 37-46; *ibid.*, Twenty-third Session, Annexes, agenda item 68, document A/7320/Add.1, appendix III, paras. 16-23; *ibid.*, Twenty-fourth Session, Supplement No. 23 A (A/7623/Rev.1/Add.1), appendix III, paras. 27-34.

zone of this region. PETRANGOL-ANGOL completed refraction seismic profiles over a wide area in the western Cuanza region and a number of test drills. In November 1970, the Economic and Social Council of Angola approved the award of six petroleum claims to PETRANGOL.

47. According to PETRANGOL's annual report for 1969, the production from its concession amounted to 728,271 tons, compared with 558,979 tons in 1968. Of the total 1969 output, 73,855 tons were from PETRANGOL's own deposits and 654,416 tons from PETRANGOL's concession with ANGOL, of which PETRANGOL's share was 327,208 tons.

48. ANGOL reported that during 1970 two wells at Mulenvos and Quenguela North produced 661,212 tons (734,680 cubic metres) of crude petroleum which was sufficient to supply the Luanda refinery of PETRANGOL and to enable ANGOL to export from its share of the output a small surplus of crude petroleum to Portugal. ANGOL's annual report for 1970 stressed the company's importance as "the first really national enterprise" in petroleum prospecting and development and its contribution as a motor force in mobilizing for the development of the <u>conjunto português</u> and the <u>conjuntura estrátegica</u>.

49. The original 1965 contracts by which ANGOL first became associated with PETRANGOL were for a period of five years and were to expire at the end of 1970. It appears from the on-going prospecting works scheduled for 1971 and beyond that those contracts either have been or will be renewed, but no information was available at the end of May 1971.

50. In 1970, ANGOL increased its registered capital from 120 million to 380 million escudos. Of this amount, 100,000 escudos was to be raised by public subscription in Angola. At the end of 1970, total investments by ANGOL and its associates amounted to 2,260 million escudos, of which 868.7 million escudos was by ANGOL alone. It will be recalled that, over a five-year period, ANGOL and PETRANGOL were each required to spend an additional 300 million escudos in its own concession. u/ The company's profits for the year amounted to 33 million escudos, compared with 19 million escudos in 1969. Total payments made by ANGOL to the Government amounted to 9.5 million escudos. In addition, the company paid 1.2 million escudos for "security expenditures".

(c) <u>Refining and processing</u>

(i) <u>PETRANGOL refinery</u>

51. Up to the end of 1970, the only refinery in the Territory was the PETRANGOL plant in Luanda. During 1969 this refinery processed 665,000 tons of crude petroleum. The output of refined petroleum products for 1968 and 1969 is shown in table 5 below. Except for fuel oil, in 1969 all the refined products were consumed in the Territory.

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u/ <u>Ibid.</u>, <u>Twenty-second Session</u>, <u>Annexes</u>, agenda item 24, document A/6868/Add.1, appendix III, para. 43.

Table 5

Angola: output of refined petroleum products, 1968-1969

(tons)

Product	1968	1969
Butane gas	9,438	6,271
Petrol (gasoline)	65,882	61,696
Diesel oil	135,452	98,389
Kerosene	8,254	7,518
Jet fuel	46,860	46,857
Fuel, extra-heavy	41,569	26,012
Fuel 1500	177,848	276,247
Bunker C	135,025	87,006
Asphalt	11,286	10,685
Others	-	910
Total	631,614	621,591

Source: Banco de Angola. Annual Report and Economic and Financial Survey of Angola, 1969.

52. The PETRANGOL annual report for 1969 pointed out that the Government of Angola owned one third of the shares (300 million escudos out of 900 million escudos capital) and was entitled to receive half of its profits. It was therefore in everyone's interest to ensure that the company continue operations and that the wells should not be exhausted. It was suggested in the report that the problem of the Government's participation in the activities of the refinery - the only problem not settled in the Protocol of 23 December 1968 v/ - should be settled by arbitration. As PETRANGOL was originally granted exclusive rights to refine petroleum, it has contested the Government's decision to authorize a second refinery and has asked that this matter also be decided by the arbitration procedures laid down in the concession contract.

53. As to the refinery, PETRANGOL expects that the expansion of its capacity to one million tons will take care of the Territory's "economic and military needs for some years to come". w/ (The Territory's needs are estimated at 500,000 tons of

v/ Text not available.

w/ Since 1962, when jet fuel was produced for the first time, its output has steadily increased, rising from 1,706 tons that year to 29,619 tons in 1964, 37,004 tons in 1965, 42,399 tons in 1967 and 46,857 tons in 1969.

petroleum products per annum.) When completed at the end of 1971, the Luanda refinery will begin producing 90 octane gasoline. The new capacity of the refinery will be as shown below:

Product	Tons
Diesel oil	265,000
Gasoline, 90 octane	100,000
Jet fuel	80,000
Butane gas	20,000
Kerosene	17,000
Fuel oil	434,000
Asphalt	25,000

PETRANGOL's annual report therefore questioned the wisdom of the Government's decision to authorize ANGOL to build a new 650,000-ton refinery, and expressed the hope that the Government would introduce measures to protect the Luanda refinery. The first phase of the work in the expansion of the refinery was completed in 1969 at a cost of 130 million escudos. In March 1971, it was reported that a Portuguese firm had been awarded a 250 million escudo contract for the second phase of the expansion, which is due to be completed at the end of 1971.

54. PETRANGOL's net profits for 1969 amounted to 70.9 million escudos, and total payments to the Government amounted to 190.4 million escudos. It employed 1,397 persons, including 27 foreigners.

(ii) ANGOL refinery

55. The refinery referred to above, which is to be built in the Lobito-Benguela industrial district, will involve an investment of 475 million escudos and is expected to be completed by March 1975. It will employ 450 persons: 65 technical staff, 115 administrative personnel and 270 workers.

56. ANGOL is to organize a new company for the installation and operation of the new refinery which is to have a registered capital of 150 million escudos. Any investment from abroad has to be placed through the Exchange Fund. If ANGOL decides to operate the refinery itself, it will have to increase its own registered capital by a sum to be established by the Angola Government. In either case, the Government will receive a proportion of the shares without charge. The company has already paid the Government a security of 5 million escudos.

(d) Requests for new concessions

57. By May 1971, there were at least 33 applications for petroleum concessions pending a decision by the Portuguese Government. Interested companies include ANGOL and Texaco, Inc., which are already operating in the Territory as petroleum concessionaires, and the following companies: (a) Companhia Mineira do Lobito, S.A.R.L., concessionaire of the Cassinga mines in southern Angola; (b) Companhia dos Petróleos de Portugal, S.A.R.L. (SACOR) and Sociedade Nacional de Petróleos, S.A.R.L. (SONAP), applying jointly for a single concession; (c) Sociedade

Portuguesa de Exploraçao de Petróleos; (d) Mr. Reinaldo Marques Pedrosa; (e) Mr. José Pedro de Campos Pereira; (f) Société Nationale des Pétroles d'Acquitaine of France; (g) Compagnie Africaine des Pétroles, which is a subsidiary of the French group TOTAL; (h) Bataape Petroleum Maatsehppij (B.P.) of the Netherlands; (i) Royal Dutch Shell; (j) Teesh Beleggings (Edms) BpK; (k) Lux Petroleum Co. of Switzerland; and (l) Occidental Petroleum Corporation of the United States. x/

Iron ore

(a) Companhia Mineira do Lobito: Cassinga

58. As previous reports have shown, both production and exports of iron ore have increased in recent years. According to the latest information available, production in 1969 amounted to 5,477,657 tons, valued at 1,085.4 million escudos (revised figure). The 1970 exports amounted to 6,334,000 tons, valued at 1,422.5 million escudos. According to one report, approximately 2.5 million tons was to go to Japan, 1.5 million tons to the Federal Republic of Germany, 500,000 tons to France, 400,000 tons to Portugal, 150,000 tons each to Spain and the United States and 550,000 tons to various other countries. The countries of destination in 1968 and 1969 are shown in the annex.

59. As far as is known the entire production in 1969 and 1970 was from the Cassinga mines of the Companhia Mineira do Lobito. y/ The two main deposits currently being mined are Cassinga North, also known as Jamba, and Cassinga South, or Tchamutete. In addition to high-grade ore (content 62 to 64 per cent) the company has resumed mining and export of medium-grade ore and itabarite. In June 1971, the company was reported to be seeking co-operation with an international consortium to develop the low-grade ores in the Territory and was planning the formation of new enterprises to prospect and mine non-ferrous ores.

60. In a series entitled "Angola, facts and figures" published in A Província de Angola, one article explained that the so-called Cassinga project was known not only because of its large reserves and substantial contribution towards easing the Territory's balance of payments difficulties but also because of its contribution to the settling of the southern part of the Territory and to the stimulation of agricultural, industrial and commercial enterprises. At the end of 1970, the company was reported to have almost completely finished the installation and equipment works for the project, including the necessary port, rail and transportation facilities. It also expected to pay off all its financial obligations well in advance of the ten-year period envisaged.

61. In a new development, the Companhia Mineira do Lobito was authorized in 1970 to set up a shipping company known as Transmineira - Companhia Nacional de Navios Mineraleiros. Apart from the Companhia Mineira do Lobito, which has the largest

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x/ See also Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23 A (A/8023/Rev.1/Add.1), annex, appendix III, para. 54.

y/ For a description of the Cassinga project see ibid., Twentieth Session, Annexes, addendum to agenda item 23 (A/6000/Rev.1), chap. V, appendix, annex I, paras. 207-210; ibid., Twenty-fourth Session, Supplement No. 23 A (A/7623/Rev.1/Add.1), appendix II, paras. 37-41.

number of shares, other shareholders include the Bank of Angola, with 2 per cent, and the Companhia Nacional de Navegação, the Portuguese shipping monopoly. Transmineira will take over the transportation of ores sold by the Companhia Mineira do Lobito.

62. In 1970, there were 4,350 persons employed in connexion with the Cassinga mines. Of these, 1,280 were specialized workers and 3,070 were non-specialized workers, classified as "rural" workers under the Rural Labour Code of 1962. z/ Including members of families, a total of 12,250 persons lived in the mining area. There is no information on the salaries paid, but the company provided medical facilities to the workers and their families and had fifteen teachers for the 500 children of primary school age.

(b) Companhia do Manganés de Angola: Cassalas project

63. It will be recalled that in 1968 the Companhia do Manganés de Angola was reported to be studying the possibility of developing the iron deposits at Cassalas, 28 kilometres from Salazar, in Cuanza-North District. The study of the economic utilization of the ore in the Cassalas Mountains was entrusted in 1965 to the consulting firm of Klöckner Industrie, Federal Republic of Germany. Other participants in the study were Klöckner-Humboldt-Deutz, Federal Republic of Germany; Head Wrightson Iron and Steel Works Engineering, United Kingdom; and Studiengesellschaft für Eisenerzaufbereitung, Federal Republic of Germany.

64. Two deposits are involved, one at Cassalas, where assured exploitable high-grade ore is estimated at 40 million tons, and one at Quitungo, where preliminary prospecting led to a firm estimate of reserves of 25 million tons of ore. Since then, the reserves have been estimated at 55 to 90 million tons. The plan for exploitation envisages the production of 1.8 million tons a year and pelletization of the ore at the mine using electricity from the Cambembe dam. This project is expected to cost 1,571.8 million escudos, with 50.1 million escudos for pre-investment; 133.7 million escudos for mining equipment; 606 million escudos for the processing plant; 580 million escudos for the pelletization plant; and 192 million escudos for other installations. The ore reserves are expected to provide for at least twenty-two years of mining at the envisaged rate.

65. In 1969, the Companhia do Manganés de Angola went through a difficult year. Because of conditions at the mine, the company could only produce ore with a 60 per cent content, of which part was accidentally contaminated by sulphur. Also, because of the congestion at the port of Luanda, the company was unable to arrange for regular delivery of ore to its customer in the Federal Republic of Germany, represented by Rohstoffhandel. Since the terms of delivery were on a cost and freight basis, the increase of freight charges in August 1969 caused the company to lose more than 5.3 million escudos in fulfilling its contract. Subsequently, the Overseas Mining Development Fund granted the company a loan of 3 million escudos on privileged conditions.

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z/ See ibid., Twenty-third Session, Annexes, addendum to agenda item 23 (A/7200/Rev.1), chap. VII, annex II, paras. 168-170.

Other minerals

(a) Sulphur

66. In June 1970, the Portuguese Government awarded a contract to Johannesburg Consolidated Investment Company, Ltd. (Johnnies) of South Africa aa/ for the development of sulphur deposits and other associated minerals. (Decree 322/70, 17 June.)

67. Under the terms of the contract, Johnnies is granted exclusive rights in two areas to prospect for and mine sulphur, gypsum and related minerals, but not radio-active minerals, petroleum, coal or diamonds. The two areas lie along the coast south of Novo Redondo. Johnnies is required to set up a company with a minimum registered capital of 8.4 million escudos and having its headquarters in Portuguese territory. The company will be required to carry out intensive prospecting until it finds deposits of at least 160 million tons of gypsum, with an adequate sulphur content for production, or, alternatively, deposits which will produce 33 million tons a year. The company must spend at least 8.4 million escudos on prospecting during the first three years. Thereafter, prospecting rights may be extended for another period of two years over 50 per cent of the original concession. Mining rights are for 25 years from the date of demarcation and may be extended for another 20 years.

68. Sales contracts have to be approved by the Government, which may acquire 50 per cent of the output and may require the company to process all or part of its output in the Territory. The company is subject to foreign exchange controls and to an income tax of 50 per cent from its net profits, calculated in accordance with the provisions of the contract. bb/ After the fifth year, the company will be required to pay a fixed mining tax and a royalty of 7 per cent of the sales, instead of the proportional mining tax. This royalty will be payable at 5 per cent after the company starts processing in the Territory. The company will also be required to pay 600,000 escudos a year to the Overseas Mining Development Fund and will be exempted from all other taxes except the statistical tax and the stamp tax.

69. In May 1971, Tenneco-Angola, Inc., was reported to have ceded its sulphur concession to a South African group. cc/

(b) Phosphates

70. In September 1970, the Portuguese Government granted the Companhia dos Fosfatos de Angola a new contract extending the period of its exclusive rights to prospect for and mine phosphates in Cabinda District. dd/ According to a report,

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aa/ For information on the company, see ibid., Twenty-fifth Session, Supplement No. 23 A (A/8023/Rev.1/Add.1), annex, appendix III, para. 37.

bb/ In contrast to the conditions obtained by some other companies, Johnnies may not deduct the royalty payments from its gross profits in determining its net income.

cc/ For a description of the original Tenneco-Angola concession, see Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 23 A (A/7623/Rev.1/Add.1), appendix II, paras. 42-46.

dd/ Ibid., paras. 47-51.

the company is required to have an initial capital of 3 million escudos, which may be raised to 30 million escudos. Subject to certain conditions, the company may freely export its mineral output. The Government retains the right to determine the sale price of the company's output and to participate in fixing procedures and conditions which affect the calculation of its share in the profits.

(c) Radio-active minerals

71. In December 1970, it was reported that experts from the Portuguese Nuclear Energy Board were to begin prospecting for uranium in Huambo District. A number of deposits have been discovered since 1951, but there are no details as to their size and quality.

(d) Gold and other minerals

72. It was reported in 1970 that the Companhia Mineira do Lobito was taking steps to develop some of the other mineral deposits known to exist in its concession area. The company has entered into a contract with the Société Française d'Etudes Minières (Sofremines) whereby the latter will evaluate some of the known occurrences, especially the gold deposits at M'Popo and Chipindo in Huíla District, and Gove in Huambo District. Also to be evaluated are the copper deposits at Calumbumbolo and Cuchi in Cuando Cubango District, wolfram and molybdenum in the Bailundo area in Huambo District.

73. Sofremines is reported to be closely linked to the Bureau de Recherches Géologiques et Minières, which is under contract for a mineral survey in Mozambique. ee/

Financial and other implications

74. Detailed information on the Territory's accounts for 1970 is not yet available, so that the Government's income from mining can only be estimated. As shown in table 6 below, the available data suggest that mining activities probably contributed more than 1,800 million escudos, or more than one third of the ordinary revenue of 6,835 million escudos. This represents an increase of 80 per cent over the revenue generated by the mining industry in 1969. ff/

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ee/ See ibid., Twenty-fifth Session, Supplement No. 23 (A/8023/Rev.1), chap. VII, annex, appendix III, paras. 115-116.

ff/ See ibid., Supplement No. 23 A (A/8023/Rev.1/Add.1), annex, appendix III, para. 83.

Table 6

Angola: Estimated territorial income from mining, 1970

	(million escudos)
Dividends and profits from DIAMANG	349.0 a/
Special payment from DIAMANG	570.9
Income from Angola Petroleum Company (PETRANGOL)	190.7 a/
Cabinda Gulf Oil Company	855.0 b/
ANGOL	9.5 a/
	1,975.1

a/ Rate paid by the company in 1969 (PETRANGOL report for 1969).

b/ Gulf statement to United States Congress, Sub-Committee on Africa, May 1971.

75. It is difficult to determine in what way the mining revenue has helped to raise the standards of the majority of Africans in the Territory apart from those directly employed. The following table shows the evolution of a number of selected items of government expenditure during the period when revenue from mining has sharply increased.

Table 7

Angola: Evolution of government expenditure, 1968-1971 a/

(million escudos)

Expenditure	1968	1969	1970	1971	Percentage increase 1971 over 1968
National security, including secret police	33.3	43.2	50.6	72.6	118.0
Public Security Police (PSP)	221.4	305.4	363.5	463.5	109.3
OPVDC	14.0	46.2	44.0	49.4	252.9
	268.7	394.8	458.1	585.5	117.9
Educational services	334.9	401.7	457.4	611.8	82.7
University of Luanda	49.5	97.2	145.5	235.5	375.7
Public health	257.8	323.2	351.7	431.4	67.3
	642.2	822.1	954.6	1,278.7	99.1

Source: Boletim Oficial de Angola, Series I, 24 January 1968, 7 February 1969, 6 February 1970 and 5 February 1971.

a/ Data from budget estimates, summary table of chapter IV, Administração Geral e Fiscalização.

76. As previous reports have shown, up to 1968 mining provided employment for fewer than 35,000 persons. Official statistics for 1969 and 1970 are not yet available but it appears from the reports of the mining companies that there has been little change in the number of persons employed. In 1969, DIAMANG employed over 28,000, the Cassinga mines 3,350 and PETRANGOL 1,397. According to a statement by an official of the company, at the peak period the Cabinda Gulf Oil Company and its contractors employed some 2,000 persons, but in 1970 they employed some "700 native Angolans" and of the "175 nationals" working for the company, thirty-eight already held supervisory positions. gg/ There is no recent information on wage rates.

77. It has been claimed by, or on behalf of, the mining companies that their activities generate income, introduce new skills and training, and stimulate economic development. An officer of the Cabinda Gulf Oil Company, for instance, reported that in 1970 it spent $US20 million for goods and services and that much of this was pumped directly into the local economy. So far, however, except for the expansion of ports, roads and rail facilities, there is little information on the growth of economic activities in the mining areas which would survive once the mines were depleted.

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gg/ It will be recalled that under the terms of its contract, Cabinda Gulf is specifically required to give preference to Portuguese nationals and to train them to replace imported staff.

2. TRANSFORMING INDUSTRIES

78. A number of Portuguese sources have reported the spectacular expansion of industrial production in recent years as a sign of the Territory's promising dynamism. One report, for instance, pointed out that production of the industrial sector in 1969 was 93 per cent higher than in 1966 and 34 per cent higher than in 1968. These sources concede, however, that most of the growth was in the extractive industries, as already described in the foregoing section.

79. Available information shows that although the value of the output of the transforming industries more than doubled between 1967 and 1970, authorized new capital dropped from 642.1 million escudos in 1967 to 331.0 million escudos in 1969 and in 1970, at 471.6 million escudos, was below the rate of investment in 1968. The information in table 8 below also shows that in 1968 the average amount of new capital authorized per industry was 1.9 million escudos. For each 1.9 million escudos invested, 24 jobs were created. In 1970, however, the average investment per industry had dropped to 1.6 million escudos, corresponding to eighteen jobs. In fact, as a rule, a few large industries generally account for the major proportion of the new capital, so that the average capital per industry was probably considerably lower.

New industries authorized or established in 1970

80. The new industries authorized in 1970 covered a wide range of activities as seen in table 9 below. It may be noted that, as in the past, industries producing food-stuffs account for over 40 per cent of the new establishments authorized and one third of the new capital. New industries established in 1970 included several large units which do not seem to be reflected in the statistics of the authorized industries. This is possibly because there is often a considerable time-lag between their authorization and their coming into operation.

(a) Car assembly and steel metal works

81. Among the largest new industries established were a car assembly plant and a galvanized steel sheet plant, both at Viana, a satellite town of Luanda. The car assembly plant, which was opened in October 1970, is expected to involve a total investment of about 50 million escudos. It will have an annual capacity of assembling 2,000 to 3,000 cars and building 200 car bodies. The company is the Sociedade Angolana de Construçao e Montagem de Automóveis, S.A.R.L. (SACMA), which is an association of importers of cars in Angola. Partners in SACMA include Alfredo F. Matos, Lda., Angola Comercial e Técnica, Auto Avenida, Casa Americana Comercial, Empresa de Automóveis, Lda., Robert Hudson and Sons (Pty), Ltd., and Universal de Acessórios, Lda.

82. Plans for another assembly plant with an annual capacity of 5,000 cars are being studied. These plans are reported to have been prepared by the Datsun Motor Company, Ltd. (NISSAN) of Japan with SOCAR Industrial. Total capital investment is expected to be around 90 million escudos.

83. About 25 million escudos has been invested in the galvanized steel sheet plant, Metalúrgica de Angola, S.A.R.L., (METANG), which will have a capacity of 20,000 tons a year working three shifts. Currently, Angola's consumption is around 4,000 to 5,000 tons a year so that the plant has been built with the expectation of developing an export market. In 1969, the Territory's imports of galvanized sheets and plates, most of which were from Japan, amounted to over 42 million escudos.

(b) Paper and paper pulp

84. The paper pulp and paper product industry has grown rapidly in recent years. Production, which was valued at 36 million escudos in 1962, doubled in 1963 and more than redoubled in 1967. In 1969, production of this sector was valued at 130.4 million escudos. The largest and most important unit is the Companhia de Celulose do Ultramar Português at Catumbela, which has a plantation of 35,000 million trees and a production capacity of 150 tons per day. The company has a registered capital of 250 million escudos.

85. In 1970 a Portuguese concern, the SOCEL group of Setubal, was reported to have acquired 170,000 hectares of land on which it plans to grow eucalyptus for cellulose.

86. Api de Angola, S.A.R.L., which was established in 1966, inaugurated a new unit in 1971 for the manufacture of corrugated cardboard. Investment in this unit was approximately 18.5 million escudos. Api de Angola is associated with the Amalgamated Packaging Industries of South Africa, the União Comercial de Automóveis and the Companhia União de Cervejas de Angola (CUCA).

(c) Shipbuilding

87. The shipbuilding industry in Angola is being expanded since the lifting of the restrictions on the size of the boats that may be built locally. hh/ The Angola subsidiary of the Sociedades Reunidas de Fabricações Metálicas, S.A.R.L. (SOREFAME) of Portugal has the shipbuilding rights. In 1970, SOREFAME had the following vessels under construction at its shipyards in Angola: one 120-ton and another 200-ton vessel for net casting; two 70-ton trawlers; and two 60-ton trawler freighters. The company also had orders for eight more 80-ton vessels for net fishing.

88. SOREFAME, which was established in 1943 in Portugal, is a subsidiary of Neyrpic of France. It is a specialist in the manufacture of hydraulic equipment and has other diversified activities, including the manufacture of petrochemical equipment and railway carriages. In 1971, the company was reported to be associated with Broderick Engineering of South Africa in bidding for a 60-million escudo contract to supply equipment for the P.M.K. de Roux dam in South Africa.

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hh/ At one time the Portuguese Government had intended to restrict the right of Angola to build fishing vessels exceeding 50 tons (see Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 23 (A/7623/Rev.1), chap. VIII, annex I, para. 73.

(d) Electric battery factory

89. In 1970 a new electric battery factory, the Sociedade Angolana de Acumuladores Tudor, S.A.R.L. (SADAT) was established in Luanda. The company, in which some 30 million escudos has been invested, has a registered capital of 9.5 million escudos. It was expected to produce 20,000 batteries in the first year of operations. At a later stage its capacity was to be increased to 40,000 units a year. SADAT employs 42 workers.

(e) Other developments

90. Unipesca of Angola has signed a contract with a South African company for the financing of a fish-canning factory. The contract, which is for 19.4 million escudos, was reported to be the second largest South African investment in Angola.

91. In 1970, the Sociedade Industrial de Tabacos de Angola (SITAL) added a new cigarette factory, reported to be one of the largest in "Portuguese Territory". This factory, in which more than 40 million escudos has been invested, is expected to produce 100 million cigarettes a month. It employs some 250 persons.

Table 8

Angola: Transforming industries - output, new investments and new jobs, 1966-1970

	Value of output (million escudos)	New industries		
		Number	Investment (million escudos)	New jobs
1966	-	-	225.0	-
1967	4,083.0	335	642.1	8,098
1968	4,918.0 a/	318 a/	491.2 a/	6,877
1969	6,425.0 a/	292 a/	331.0 a/	6,698
1970	8,439.0	290	471.6	5,275

Sources: 1967-1969: Banco de Angola. Annual Report and Economic and Financial Survey of Angola for respective years. 1970: Press Reports.

a/ Revised figures. According to a newspaper report, the value of output was 7,402.4 million escudos in 1969.

Table 9

Angola: New industries by sector of activity authorized in 1970

Activity	Number	Capital (million escudos)	New jobs
Food-stuffs	128	162.9	2,196
Transport materials	36	51.3	853
Base metal	1	40.0	80
Metal products	14	39.5	357
Shoes, clothing	25	...	192
Beverages	3	20.5	60
Wood and cork	17	20.0	331
Furniture	15	24.2	317
Paper and other	6	32.7	174
Non-metallic	16	17.0	295
Other	29	63.5	420
Total	290	471.6	5,275

Source: Revista Semanal de Informações Económicas e Financeiras, Lisbon, 14 April 1971.

Measures to encourage industrial development

92. Pending a complete review of the existing provisions establishing the framework for the economic integration of the overseas Territories with Portugal, various measures were approved in the past year by the Government in Lisbon to encourage industrial development in both Angola and Mozambique. In this connexion, government spokesmen have attached great importance to the legislation restricting a wide range of Portuguese imports into Angola and Mozambique (see below) as one which will help to protect local industries from competition from goods from Portugal and to encourage the development of industries to replace imports.

93. Heretofore, industrial expansion in Angola has been hampered by the licensing system, which tended to prevent the establishment of local industries that might compete with those in Portugal. Even when established, local industries often failed because of the small domestic market and higher costs of production. One article in the local press has pointed out, for instance, that in 1969 only 1.3 million escudos was invested in the manufacture of clothing and shoes, while imports, mainly from Portugal, included: 84.7 million escudos worth of shoes; 141.1 million escudos worth of clothing and accessories; 75.2 million escudos worth of blankets; and 54.7 million escudos worth of socks, stockings and knitted goods. Another example cited by Dr. Walters Marques, the Provincial Secretary of the Economy, was the closing of the IFA match factory owing to lack of

protection from competition. Official trade statistics show that in 1969 Angola's match imports were valued at 12.3 million escudos, mainly from Portugal. The 1970 legislation authorizing restrictions of imports from Portugal included matches.

94. In response to local complaints and the Territory's steadily deteriorating balance-of-payments deficit, the Portuguese Government introduced "anti dumping" regulations in the overseas Territories (Decree 578/70, 24 November 1970). Restrictions on the manufacture and sale of alcoholic beverages were also eased in 1970. As a further measure, in May 1971, new regulations were introduced granting industries in the overseas Territories exemptions on import and other duties in a scheduled list of imported raw materials and equipment (Decree 177/1971).

95. Other measures which the Government has been preparing include the establishment of an Export Development Fund, the extension to the overseas Territories of the activities of such bodies as the Institute of Industrial Research, the Manpower Development Fund and study centres to promote investments.

96. To guide Territory's future industrial development the Government of Angola requested a special working group to prepare a study, which resulted in seven reports on the subject. The summary report, which was discussed at the Third Round Table Conference on Industry in Lourenço Marques, stressed the fundamental importance of industrial development to the economic progress of the Territory and the social and economic well-being of the peoples. It recommended that the Government should: (a) give priority for the regional distribution of industries (especially to correct the present concentration of industries in and around Luanda); (b) give private enterprises the main responsibility for industrial development; (c) stimulate and encourage industrial development by fiscal measures and tax exemptions, with a scale of incentives that would take into account both national and territorial interests and the need for regional development; (d) establish sectors of priority with a view to improving distribution of income and expanding the domestic market; and (e) give special priority to labour intensive industries which develop the Territory's natural resources, without prejudice to capital intensive technologically advanced industries. The report also recommended that efforts should be made to ensure that interest in the development of the "national space" should not limit the industrial growth of the Territory and should take into account the wide differences in the stage of evolution of the different parts of the nation.

97. According to a recent article, considerable new capital investment is planned in transforming industries in 1971, as part of the Third National Development Plan 1968-1973. ii/ Total investment by the transforming industries themselves over the six-year per od has been set at 2,142.5 million escudos, or an average of about 357 million escudos a year. New investments envisaged for 1971 exceed 900 million escudos, as follows: food-stuff industries, 265.6 million escudos, including the establishment of a new 150 million escudo soluble coffee plant and a 50 million escudo expansion of an existing one; beverage industries,

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ii/ See ibid., Twenty-third Session, Annexes, agenda item 68, document A/7320/Add.1, appendix III, paras. 109-114.

156.7 million escudos, including a 50 million escudo expansion of an existing plant and the establishment of an 80 million escudo wine bottling plant; textiles and synthetics, 5.2 million escudos; machinery and tools, 21.5 million escudos; electrical industries, 44.1 million escudos; transport, 11.4 million escudos; shoes and clothing, 14.25 million escudos; wood and furniture, 30.5 million escudos; chemicals, 71.8 million escudos; fish meal and fish oil, 114.0 million escudos; non-metallic industries, 140.5 million escudos, including a 130 million escudo expansion by the Cecil Cement plant; and metallic industries, 43.5 million escudos.

3. TRADE AND BALANCE OF PAYMENTS

98. Traditionally, Angola has always had a balance of trade surplus. In 1967 and 1968, exceptionally, the Territory suffered large trade deficits, mainly due to the import of capital goods, with vehicles, locomotives and iron and steel articles, for instance, accounting for over 25 per cent of the total imports by value. Since 1969, the Territory has regained its balance of trade surplus, mainly through a considerable increase in mineral exports; but, as reported above, because of the Territory's special relations with Portugal, its balance of payments problem persists (see table 10 below).

99. In 1969, the Territory's total visible exports amounted to 9,390.4 million escudos, compared with 7,787.9 million escudos in 1968. Imports were 9,261.2 million escudos, compared with 8,709.9 million escudos. According to provisional figures for 1970, exports rose to 12,158 million escudos and imports to 10,594.6 million escudos, leaving a trade surplus of 563.4 million escudos.

100. In 1969, four main categories of goods (by statistical classification) accounted for over 58 per cent of the imports. These were textiles and textile products, base metals and their products, machinery and appliances, including electrical material, and transportation goods. Coffee, diamonds and iron ore, together amounting to 6,176.3 million escudos, accounted for almost two thirds of the visible exports in 1969. Crude petroleum, fish meal and raw cotton accounted for another 12 per cent, so that six products made up some 80 per cent of the Territory's exports. Of these six, except for some coffee and cotton produced for their own account, Africans have no share in the production or the profits.

101. It may be noted that under the industrial regulations of 1965 (Decree Law 46,666, 24 November), the Territory may not freely establish industries for the manufacture of a number of the goods it traditionally buys from Portugal; also, industries processing certain raw materials are subject to controls. The first category includes chemical fertilizers, antibiotics, laminated iron and steel plates, iron and steel tubing, construction of generators, transformers and rectifiers, fluorescent and mercury vapour lamps, light electrical apparatus and electronic equipment. The second category includes sugar refineries and gem cutting and polishing. In recent years, industries in some of the above categories have been authorized and established in Angola.

102. As far as is known, the Territories have never been allowed to manufacture grape wine. For instance, in 1967, an order from the Government in Lisbon (25 September 1967) made it mandatory that in the overseas Territories vinegars and certain liquors had to be made from wines imported from Portugal. The new legislation of 20 April 1970, which liberalized conditions for the manufacture and sale of alcoholic drinks in the overseas Territories, made no reference to wines and specifically prohibited the use of the word wine for any of the manufactured products. It may be assumed from this that the manufacture of wine in the Territories is also restricted.

103. In an average year, Angola and Mozambique together take from Portugal 130 million litres of wine, or 12 per cent of the total normal production. (In 1969, Angola took 86.6 million litres and Mozambique 37 million litres.) In contrast, Portugal's wine exports to foreign countries amounted to only 70 to 75 million litres a year.

104. The Territory's principal trade partners are Portugal, the United States, the Federal Republic of Germany, the Netherlands and the United Kingdom. Selected trade statistics on the principal exports and main countries of destination and on main categories of goods traded with the principal partners appear in the annex to the present appendix.

Portugal

105. Portugal, which has always been the Territory's most important trade partner, supplied 37 per cent by value of the Territory's imports in 1969 and took 37.3 per cent of its exports.

Imports from Portugal, 1969	(million escudos)	Exports to Portugal, 1969	
Wine	456.3	Diamonds	1,843.2
Cotton textiles	301.6	Cotton	329.8
Clothing and accessories, including hosiery and knitwear	118.9	Coffee	255.9
		Maize	249;9
		Lumber (round and sawed)	164.6
Medicines and antibiotics	110.6	Sisal	92.5
Iron and steel plates and cast iron and steel tubing	122.1	Fish meal	79.3
		Bananas	73.0
		Palm oil	47.6
Olive oil	103.0	Iron ore	33.6
Milk, cheese and margarine	100.9	Crude petroleum and fuel oil	46.6
		Beans	23.8

United States

106. In 1969, the United States supplied 10.5 per cent of the Territory's imports and took 15.7 per cent of its exports. The principal imports from the United States were (in million escudos): machinery and mechanical appliances, 181.2; tractors, motor vehicles and parts, 152.3; cast iron and steel plates and tubes, 139.5; locomotives, 39.9; and books, etc., 26.2. The United States has provided loans for the purchase of locomotives. jj/

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jj/ According to the Report of the British National Export Council/ Southern Africa Mission to Angola, in 1969, the Territory had 30 G.E. Diesel electric locomotives. It also had 6 G.M. Diesel electric locomotives and 20 Krupp Diesel hydraulic locomotives.

107. The most important commodity exported to the United States is coffee, which in 1969 amounted to 3,234.4 tons, valued at 1,400.8 million escudos, compared with 3,530.4 tons, valued at 1,806.9 million escudos, in 1968.

Federal Republic of Germany

108. Since 1965, Angola's trade with the Federal Republic of Germany has more than doubled, with the value of imports rising from 459.1 million escudos to 965.3 million escudos in 1969, and exports from 312.2 million escudos to 753.8 million escudos in the same period. In 1967, the Territory imported over 230 million escudos worth of locomotives and waggons for the Cassinga mine project.

109. The territory's main imports from the Federal Republic are tractors, motors and machinery, iron and steel plates and tubes, medicines and tools. The main export is iron ore, which amounted to over 1 million tons, valued at 470 million escudos, in 1969.

Netherlands

110. Although the Netherlands ranks fourth among the Territory's trade partners, its position is mainly due to the fact that it is the Territory's second most important customer for coffee. In 1969, the Netherlands took almost 40,000 tons of coffee, valued at 779.2 million escudos. Since 1969, it has also become a customer for crude petroleum from Cabinda, of which it was the largest importer that year, accounting for 686,000 tons, valued at more than 222 million escudos. As a supplier, the Netherlands ranked ninth in 1969 and accounted for only 129 million escudos, or 1.39 per cent of the Territory's imports. The most important items were lubricating oil (18.1 million escudos) and iron and steel tubing (10.1 million escudos).

United Kingdom

111. The United Kingdom's position as a leading trade partner is derived from its importance as a supplier. In 1969, it supplied 9 per cent of the Territory's imports, valued at 837.1 million escudos, and took only 1.8 per cent of its exports, valued at 171.4 million escudos. The most important goods supplied are tractors and motor vehicles, electrical and other machinery, iron and steel goods, medicines and pharmaceuticals. The Territory's exports to the United Kingdom have more than doubled since 1965. The most important exports are iron ore, coffee, crude petroleum, paper paste and tobacco. The exports of both crude petroleum and iron ore to the United Kingdom were expected to increase with expanded production in the Territory.

Table 10

Angola: balance of payments
(million escudos)

Global balance of payments, 1965-1969

	Credit				Debit				Balance
Year	Visible	Invisible	Private capital	Total	Visible	Invisible	Capital trans-actions	Total	
1965	4,819	1,612	233	6,654	5,306	1,694	283	7,283	- 629
1966	4,784	1,914	114	6,812	5,382	1,991	304	7,677	- 869
1967	5,584	2,225	249	8,058	6,443	2,232	280	8,955	- 897
1968	6,239	2,563	871	9,673	7,243	2,896	387	10,526	- 893
1969	6,628	1,522	2,069	10,219	8,290	3,092	324	11,706	-1,487

Table 10 (continued)

B. Balance of payments with Portugal and other overseas Territories, 1969

	Debit	Credit	Balance
Trade	3,999.6	2,167.0	- 1,832.6
Tourism	406.7	6.8	- 399.9
Transport	337.0	101.4	- 235.6
Insurance	24.8	1.3	- 23.6
Earnings from capital investments	499.5	16.8	- 482.7
Government	56.8	524.0	+ 467.3
Other services	887.2	762.3	- 124.9
Private transfers	390.2	5.5	- 384.6
Private capital	90.8	107.2	+ 16.4
Public capital	-	...	...
Total	6,692.7	3,692.4	- 3,000.2

C. Balance of payments with foreign countries, 1969

	Debit	Credit	Balance
Trade	4,290.8	4,460.4	+ 169.6
Tourism	60.3	22.4	- 37.9
Transport	2[illegible].9	437.8	+ 407.9
Insurance	6.[illegible]	4.1	- 2.3
Earnings from capital investments	123.1	6.0	- 117.1
Government	53.7	32.8	20.9
Other services	198.0	145.8	52.3
Private transfers	18.5	2.8	[illegible]5.6
Private capital	233.0	1,415 0	[illegible]2.1
Public capital	-	-	-
Total	5,013.6	6,527.0	+ 1,513.4

Source: From the Relatório das Contas da Gerência e Exercício de 1969, as reproduced in Actualidade Económica, Luanda, 17 September 1970.

4. CUNENE RIVER BASIN SCHEME

Agreement between Portugal and South Africa

112. The original agreement between Portugal and South Africa on the joint use of the Cunene River dates back to 1926. On the basis of that agreement, new negotiations were begun in 1962 which led to an agreement signed on 13 October 1964 on the construction of a dam and a generating station at Matala in Angola. In May 1967, a further agreement was concluded between the two countries, providing for the establishment of a South African pumping station and hydro-electric generating station at Ruacaná on the border with Namibia. kk/

113. The latest agreement, signed on 21 January 1969 but only published in the Portuguese Government Gazette in October 1970, concerns what is called "The First Phase Development of Water Resources of the Cunene River Basin". ll/ The stated aims of the agreement are: (a) regulation of the flow of the Cunene River; (b) improvement of the generation of hydro-electric power at Matala; (c) initial irrigation and supply of water for human and animal requirements in the Middle Cunene; (d) supply of water for human and animal requirements in "South West Africa" and for the initial irrigation in Ovamboland; and (e) generation of hydro-electric power at Ruacaná in Angola.

114. The first phase of work comprises: (a) a dam at Gove located about 100 kilometres from the city of Nova Lisboa in Angola, with a full supply level of 1,590 metres above mean sea level, for the purpose of regulating the Cunene River; (b) a dam at Calueque with a full supply level of 1,098 metres above mean sea level, for the purpose of the further regulation of the flow of the Cunene River in accordance with the requirements of the power station to be built at Ruacaná; (c) a dam and pumping scheme at Calueque in Angola for supplying water from the Cunene River for use in Namibia; and (d) a hydro-electric power station at Ruacaná and associated diversion works for the supply of power, mainly to Namibia.

115. Under the agreement, Portugal has complete responsibility for the construction of the Gove Dam, which is urgently needed to increase the water pressure for power production at Matala and for irrigation and water supply along the Middle Cunene. The Republic of South Africa has responsibility for the other three projects and will help in the financing of the Gove Dam up to a maximum of 8,125,000 rands mm/ by providing one half of the amount as a direct non-reimbursable grant and one half as a 20-year loan at 5 per cent interest per annum. The repayment of the loan is to be made in 20 annual instalments, beginning the first year after the delivery of the dam to the Portuguese authorities. In return for the South

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kk/ See Official Records of the General Assembly, Twentieth Session, Annexes, addendum to agenda item 23 (A/6000/Rev.1), chap. V, paras. 66-67; ibid., appendix, annex II, paras. 134 to 135; ibid., Twenty-third Session, Annexes, addendum to agenda item 23 (A/7200/Rev.1), chap. VIII, para. 62.

ll/ A preliminary report on this agreement appears in ibid., Twenty-fourth Session, Supplement No. 23 A (A/7623/Rev.1/Add.1).

mm/ One rand equals $US1.40.

African financial contribution towards the Gove Dam, Portugal agrees not to abstract more than 50 per cent of the resulting regulated flow of the river, taken as 80 cubic metres per second at Ruacaná.

116. Following the signing of the contract for the construction of the Calueque dam, South Africa will be required to pay the Government of Portugal 220,000 rands as compensation for the ground occupied by the works and for the flooding of approximately 16,000 hectares.

117. The Ruacaná power station and diversion works will be undertaken and financed entirely by South Africa. South Africa will have their exclusive use in perpetuity, for the production of power from the flow of the river, regulated by the dams of the first phase of the Cunene scheme from the upstream limit of the Ruacaná diversion weir basin to below the Ruacaná power fall. South Africa will pay a royalty to Portugal for the power generated at Ruacaná. For a period of 20 years, the royalty rate is expected to provide a total income equal to the sum of the twenty annual loan repayments to be made by Portugal for the Gove dam. The royalty rate will be revised at intervals of five years. For the first five years after the start of commercial operation of the Ruacaná power station, the royalty rate will be 0.11 cents of a rand per kilowatt-hour generated. After the redemption of the loan for the Gove dam, the royalty rate will be reduced to 0.05 cents of a rand per kilowatt-hour generated at Ruacaná.

Development and settlement of the Cunene River Basin

118. Following the agreement with South Africa, Portugal set up the Gabinete do Plano de Desenvolvimento da Região do Cunene (Office of the Cunene River Development Plan) under the Overseas Ministry (Decree Law 49,203, 25 August 1969). The Gabinete do Plano is responsible for the implementation of the obligations undertaken under the agreement with South Africa and for the execution of other projects to develop the Cunene and Cuvelai river basins.

119. The Cunene scheme comprises a total of 28 projects, including the building of dams and hydro-electric stations and irrigation for agriculture and ranching activities. The Gove dam, which has priority, was started in 1969 and is expected to be completed in 1972. Work is also under way on the Calueque pumping station and the Ruacaná power station. It is expected that, by the end of 1971, a water supply to Namibia will be in operation. There is no information on the names of the companies which were awarded the contract for construction of the Gove dam by the Portuguese Government. At Calueque, the Concor Construction (Pty) Limited of South Africa is building the canal to divert water to Namibia.

120. The Cunene scheme, which is estimated to cost 17,500 million escudos, is expected to add an extra 2,000 million escudos to the gross national product of Angola. The output of electric power will be increased by approximately 1,000 million kilowatts, and over 300 kilometres of the Cunene River will become navigable. The water made available will bring into use 3,500 square kilometres for cattle raising and the irrigation of some 500,000 hectares of arid land. nn/

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nn/ Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 23 A (A/7623/Rev.1/Add.1), annex, appendix II, para. 75.

121. Essentially, the region to be developed is the plateau between the Cuvelai and the Cunene rivers, involving an area of some 127,250 square kilometres. Although this region contains most of the cattle in Angola, it is sparsely populated by African nomadic herdsmen living in a subsistence economy. The main centres of development are Matala, which grew from the hydro-electric station, the European settlement at Capelongo and the facilities of the Companhia Mineira do Lobito at Jamba. In April 1971, the Government authorized a 70-million escudo loan from the National Development Bank to the Provincial Electricity Board for the installation of a high voltage supply line between Matala, Gamba and Tchamutete, which will supply electric power to Cassinga.

122. The economic development of this region is to be based on improved ranching activities. With the provision of water from the Cunene River it will no longer be necessary for cattle to move from one area to another at different times of the year, and it will therefore be necessary to change the nomadic habits of the Africans. Reordenamento projects have been started in this region both to relocate the Africans who were in areas to be flooded and to free land for new concessions in the Colonato de Capelongo area. The Gabinete do Plano has announced plans to expand the Colonato de Capelongo and to irrigate the Quiteve-Roçadas area for agriculture and ranching development.

123. The first phase of the plan to expand the Colonato de Capelongo includes the establishment of 33 ranches ranging from 400 to 1,200 hectares in area. All the plots will be located along the Cunene River with water facilities for cattle and agricultural activities. The concessionaires will be required to supply milk on a priority basis to a new dairy plant installed at Vila Folgares in January 1971 (Lactícinios do Cunene, Lda.) which has an initial processing capacity of 10,000 litres a day. The plots will be granted on a provisional basis for a three-year period, after which the concessionaires may apply for permanent concession (aforamento) provided they have fulfilled minimum requirements in respect of use of the land. oo/ In January 1971, applications were being accepted for the granting of these concessions, preference being given to those who presented the best exploitation plans and proved their financial capacity to implement them. Everything being equal, those who already resided in the region were to be given preference.

124. In June 1971, it was reported that the Government planned to grant new farm concessions of 60 and 180 hectares in area in the Quiteve-Roçadas area. A survey of the African population was being made with a view to their relocation. In an experimental centre near Roçadas, the Gabinete do Plano was studying crops to be cultivated in the irrigated areas. Good results have been obtained with sugar cane, cotton, alfalfa and wheat.

125. In June 1971, following the visit of an Italian mission to the Territory, arrangements were being made to settle some Italian families from Somalia in Angola to grow bananas. Mr. Agostinho Neto, the president of the Movimento Popular de Libertação de Angola (MPLA), asserted that Italian immigrants were being settled in the Cunene region.

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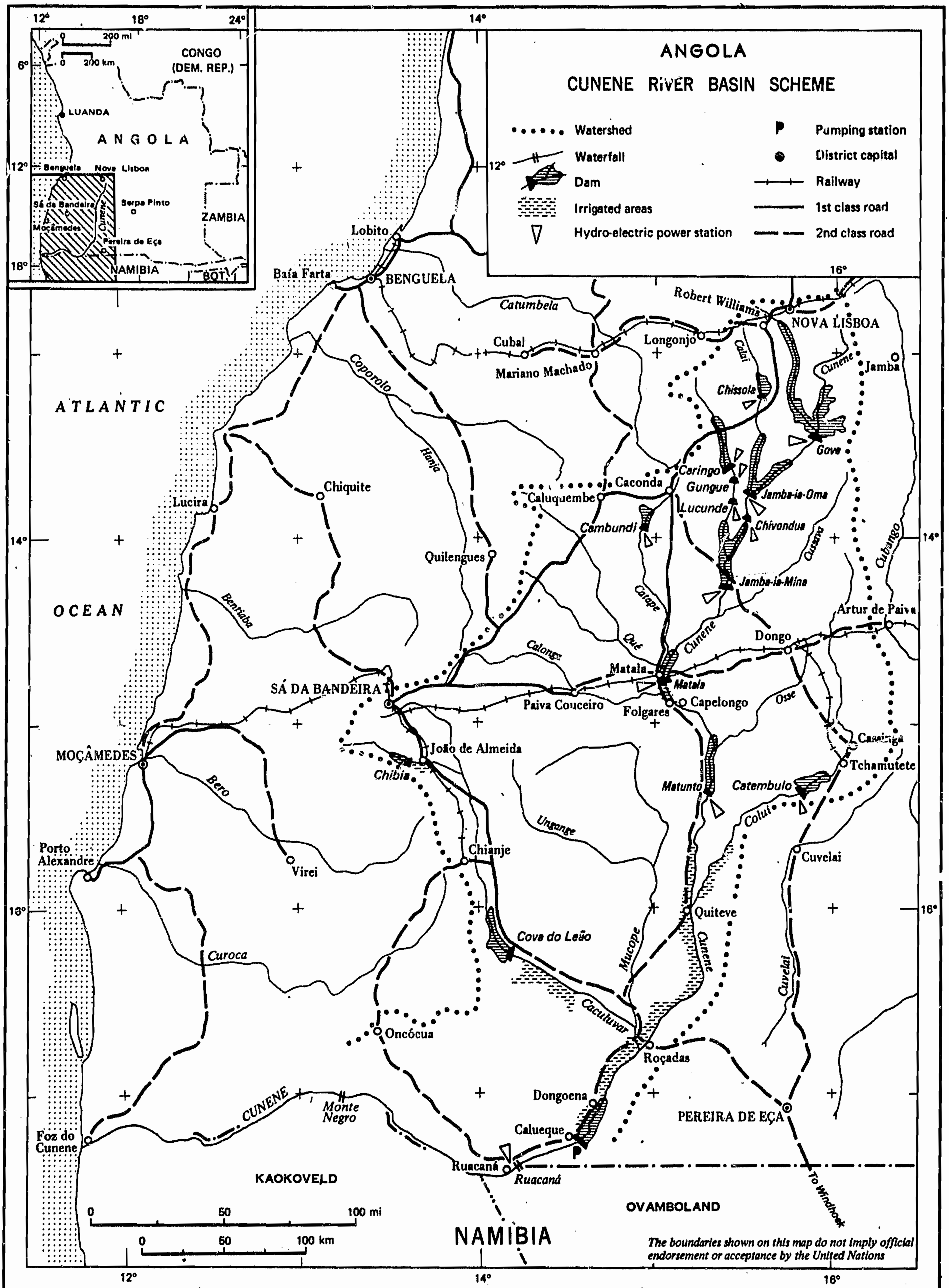
oo/ For a description of the land concession legislation, see ibid., Twentieth Session, Annexes, addendum to agenda item 23 (A/6000/Rev.1), chap. V, appendix, annex II, paras. 1-57.



MAP NO. 2038 UNITED NATIONS
AUGUST 1971

ANNEX

ANGOLA TRADE STATISTICS

Table 1

Angola: Principal trading partners, 1965-1969

A. Total imports

(million escudos)

Country	1965		1966		1967		1968		1969	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
Total imports	5,601.2	100	5,947.6	100	7,908.7	100	8,709.9	100	9,261.4	100
Portugal	2,661.0	47.5	2,496.7	41.9	2,807.6	35.5	3,175.1	36.4	3,421.7	37.0
United States	441.1	7.9	501.5	8.4	1,040.1	13.1	1,040.5	12.0	975.9	10.5
Federal Republic of Germany	459.1	8.2	680.0	11.4	1,309.1	16.5	979.1	11.2	965.3	10.4
United Kingdom	627.2	11.2	672.6	11.3	661.5	8.4	786.7	9.0	837.1	9.0
Japan	80.4	1.5	120.6	2.1	183.1	2.3	291.8	3.4	423.9	4.6
France	226.3	4.0	192.5	3.3	321.7	4.1	457.5	5.3	456.1	4.9
Belgium/ Luxembourg	161.5	2.9	183.6	3.1	228.3	2.9	249.8	2.9	343.3	3.7
South Africa	-	-	-	-	119.2	1.5	220.0	2.5	294.1	3.2
Netherlands	87.8	1.5	91.0	1.5	140.9	1.8	312.6	3.6	129.0	1.4

Table 1 (continued)

B. Total exports

(million escudos)

Country	1965		1966		1967		1968		1969	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
Total exports	5,747.4	100	6,359.4	100	6,837.8	100	7,787.9	100	9,387.4	100
Portugal	2,022.8	35.2	2,215.6	34.8	2,289.5	33.5	2,677.2	34.4	3,497.0	37.3
United States	1,324.4	23.1	1,541.6	24.3	1,857.0	27.2	1,858.6	23.9	1,475.7	15.7
Netherlands	678.6	11.8	805.0	12.8	680.2	10.0	776.5	10.0	1,076.3	11.5
Federal Republic of Germany	312.2	5.5	339.1	5.3	224.3	3.3	422.0	5.4	753.8	8.0
United Kingdom	76.6	1.3	50.4	0.8	35.9	0.5	118.6	1.5	171.4	1.8
Japan	43.7	0.8	68.5	1.1	210.1	3.1	379.8	4.9	438.0	4.7
France	247.1	4.3	44.1	0.7	69.9	1.0	37.5	0.5	136.9	1.5
Belgium/ Luxembourg	133.8	2.3	89.1	1.4	58.1	0.9	99.0	1.3	76.1	0.8
South Africa	54.9	1.0	122.3	1.9	89.4	1.3	136.1	1.7	141.3	1.5

Table 1 (continued)

C. Trade with Portugal

(million escudos)

(a) Imports

Products	1965	1966	1967	1968	1969
Total	2,661.0	2,496.7	2,807.6	3,175.1	3,421.7
Wines	358.8	399.4	412.4	456.7	456.3
Cotton fabrics	328.0	216.1	252.7	283.4	301.6
Pharmaceuticals	45.1	50.5	65.0	87.5	110.6
Iron or steel pipes	84.5	86.1	112.3	119.5	107.6
Edible vegetable oils	68.6	79.4	85.9	93.3	103.0

(b) Exports

Products	1965	1966	1967	1968	1969
Total	2,022.8	2,215.6	2,289.5	2,677.2	3,497.0
Diamonds	904.3	1,122.2	1,204.4	1,361.8	1,843.2
Cotton	83.4	105.8	102.5	191.4	329.8
Coffee	179.3	200.3	208.1	220.8	255.9
Maize	168.1	84.2	164.3	227.6	249.9
Timber, undressed and sawn	72.4	85.4	92.5	149.7	164.6

D. Trade with the United States

(million escudos)

(a) Imports

	1965	1966	1967	1968	1969
Total	441.1	501.5	1,040.1	1,040.5	975.9
Motors, machines, etc.	70.8	88.8	206.9	161.8	181.2
Tractors, vehicles, etc.	117.9	112.8	136.3	173.3	152.3
Iron or steel pipes	8.0	16.4	120.5	76.4	139.5
Locomotives	-	-	63.0	78.9	39.9
Books - pamphlets	0.2	0.2	0.5	0.7	26.2

Table 1 (continued)

D. Trade with the United States (continued)

(million escudos)

(b) Exports

Products	1965	1966	1967	1968	1969
Total	1,324.4	1,541.6	1,857.0	1,858.6	1,475.7
Coffee	1,288.2	1,489.4	1,792.1	1,806.9	1,400.1
Crude petroleum or shale oils	-	-	-	-	19.3
Tinned fish	6.0	8.0	6.6	17.4	14.3
Beeswax	10.5	15.0	25.3	11.6	12.8
Iron ores	-	-	-	-	12.5

E. Trade with the Federal Republic of Germany

(million escudos)

(a) Imports

Products	1965	1966	1967	1968	1969
Total	459.1	680.0	1,309.1	979.1	965.3
Tractors, vehicles, etc.	101.7	110.3	206.0	208.3	279.7
Motors, machines, etc.	30.0	27.3	42.9	67.6	70.2
Pharmaceuticals	27.3	27.6	37.3	41.8	50.5
Iron or steel bars, sections or pipes	47.0	48.1	72.8	75.6	67.3
Instruments, tools	11.8	13.5	23.0	15.7	23.703

(b) Exports

Products	1965	1966	1967	1968	1969
Total	312.2	339.1	224.3	422.0	753.8
Iron ores	110.3	63.9	38.8	230.4	470.1
Fish meal	35.2	54.0	18.1	24.2	161.7
Coffee	86.9	139.1	60.0	48.0	33.9
Timber, undressed and sawn	2.6	10.1	14.1	21.1	24.5
Manioc roots	22.0	13.7	35.1	41.8	11.3

Table 1 (continued)

F. Trade with the United Kingdom

(million escudos)

(a) Imports

Products	1965	1966	1967	1968	1969
Total	627.2	672.6	661.5	786.7	837.1
Tractors, vehicles, etc.	258.5	242.5	253.2	321.4	318.4
Motors, machines, etc.	77.5	58.6	52.6	64.4	75.7
Iron or steel pipes	17.9	20.6	26.3	18.7	55.2
Pharmaceuticals	13.0	15.2	20.1	19.1	22.9
Motors and electrical appliances	10.4	8.0	13.1	14.7	16.1

(b) Exports

Products	1965	1966	1967	1968	1969
Total	76.6	50.4	35.9	118.6	171.4
Iron ores	-	-	2.5	15.7	87.7
Paper pulp	15.9	26.8	27.0	42.4	30.4
Crude petroleum or shale oils	-	-	-	-	25.8
Coffee	8.9	19.4	1.5	37.9	17.3
Raw tobacco	-	-	0.8	14.4	7.5

G. Trade with Japan

(million escudos)

(a) Imports

Products	1965	1966	1967	1968	1969
Total	80.4	126.6	183.1	291.8	423.9
Tractors, vehicles, etc.	43.7	65.6	64.6	111.5	149.2
Iron or steel sheets	6.1	16.7	30.7	36.3	48.4
Cotton fabrics	3.6	3.6	3.1	7.0	15.3
Motors and electrical appliances	2.8	3.0	4.0	9.5	13.6
Railway cars	-	-	26.8	48.3	-

Table 1 (continued)

G. Trade with Japan (continued)
(million escudos)

(b) Exports

Products	1965	1966	1967	1968	1969
Total	43.7	68.5	210.1	379.8	438.0
Iron ores	29.7	58.9	122.0	366.4	399.6
Crude petroleum or shale oils	-	-	-	-	12.2
Coffee	1.3	1.2	72.3	5.5	12.0
Fish meal	5.3	4.3	0.8	-	8.2

H. Trade with France
(million escudos)

(a) Imports

Products	1965	1966	1967	1968	1969
Total	226.3	192.5	321.7	457.5	456.1
Tractors, vehicles, etc.	83.0	43.6	51.0	52.5	102.9
Wheat	25.4	-	-	92.3	35.3
Iron or steel bars, sections or pipes	21.4	27.0	23.9	30.9	28.0
Locomotives	-	-	-	-	25.7
Iron or steel pipes	9.1	18.5	38.7	25.4	21.4

(b) Exports

Products	1965	1966	1967	1968	1969
Total	247.1	44.1	69.9	37.5	136.9
Iron ores	-	-	-	9.7	71.9
Coffee	227.1	21.2	39.5	2.8	16.0
Fish meal	0.3	1.7	-	0.9	14.2

Table 1 (continued)

I. Trade with Belgium and Luxembourg

(million escudos)

(a) Imports

Products	1965	1966	1967	1968	1969
Total	161.5	183.6	228.3	249.8	343.3
Railway cars	-	-	11.4	-	80.3
Iron or steel bars or sections and pipes	72.4	60.5	63.4	62.8	61.1
Iron or steel pipes	14.3	16.0	29.7	22.7	28.4
Malt	14.9	21.6	26.2	25.4	24.0
Lubricating oils	5.7	5.3	11.1	17.8	18.8

(b) Exports

Total	133.8	89.1	58.1	99.7	76.1
Coffee	113.8	65.1	40.5	46.8	43.4
Iron ore	-	3.5	-	18.6	20.1

J. Trade with South Africa

(million escudos)

(a) Imports

Products	1965	1966	1967	1968	1969
Total	99.7	98.8	119.2	220.0	294.1
Fruits	7.8	12.2	22.4	29.2	30.2
Motors, machines	6.9	3.6	9.1	17.6	28.0
Pharmaceuticals	7.5	6.4	9.1	12.5	19.0
Iron or steel pipes	4.9	4.7	5.6	17.0	16.8
Tractors, vehicles	0.2	1.2	2.6	5.1	14.5

Table 1 (continued)

J. Trade with South Africa (continued)

(million escudos)

(b) Exports

Products	1965	1966	1967	1968	1969
Total	54.9	122.3	89.4	136.1	141.3
Coffee	11.5	78.2	72.1	110.3	98.6
Timber, undressed and sawn	13.1	15.5	8.2	7.3	11.9
Cements	10.9	17.6	-	-	4.7

Sources: 1965-1968: Angola, Comércio Externo, volume II for respective years.
1969: Angola, Boletin Mensal de Estatística, December 1969.

Table 2

Angola: Principal exports and main destinations, 1965-1969

A. Principal exports

(thousand tons and million escudos)

	1965		1966		1967		1968		1969	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Total exports	1,941.7	5,747.4	1,715.7	6,359.4	1,960.9	6,837.8	4,177.8	7,787.9	7,996.2	9,387.4
Coffee	159.2	2,687.1	156.4	3,058.4	196.5	3,546.7	188.6	3,530.4	182.8	3,234.4
Diamonds (thousand carats)	1,157.4	904.3	1,264.0	1,122.2	1,315.9	1 204.4	1,530.4	1,361.8	1,980.4	1,843.2
Iron ore	693.4	146.9	626.8	132.9	780.6	163.3	2,893.6	645.4	5,102.2	1,098.7
Fish meal	48.0	174.6	54.2	220.3	36.8	128.8	44.0	134.6	92.4	347.2
Cotton lint	4.8	83.4	6.1	105.8	5.9	102.5	10.9	191.4	18.8	329.8
Maize	168.2	282.9	64.7	115.7	100.8	174.2	153.3	245.2	177.4	305.1
Timber	87.0	99.0	102.0	122.0	93.8	120.7	135.7	189.8	152.1	224.1
Sisal	50.3	275.0	61.0	301.0	47.1	194.0	52.4	201.5	50.0	196.8
Dried fish	13.3	84.8	16.2	113.5	13.6	96.3	16.1	118.9	12.1	84.7
Manioc	37.5	63.8	41.4	72.0	49.8	75.4	67.4	99.7	35.9	58.4
Sugar	33.5	113.3	27.4	89.7	26.3	87.5	13.7	48.7	14.4	51.1

Table 2 (continued)

Angola: Principal exports and main destinations, 1965-1969 (continued)

B. Coffee in beans

(thousand tons and million escudos)

	Exports		Main destinations (value)				
Year	Volume	Value	Portugal	United States	Netherlands	Spain	South Africa
1965	159.2	2,687.1	179.3	1,288.2	607.2	18.9	11.5
1966	156.4	3,058.4	200.3	1,489.4	724.6	58.4	78.2
1967	196.5	3,546.7	208.1	1,792.1	600.6	58.8	72.1
1968	188.6	3,530.4	220.8	1,806.9	706.5	120.7	110.3
1969	182.8	3,234.4	255.9	1,397.8	779.2	185.8	98.6

C. Diamonds

1965	1,157.4	904.3	904.3
1966	1,264.0	1,122.2	1,122.2
1967	1,315.9	1,204.4	1,204.4
1968	1,530.4	1,361.8	1,361.8
1969	1,980.4	1,843.2	1,843.2

D. Iron ore

(thousand tons and million escudos)

	Exports		Main destinations (value)				
Year	Volume	Value	Federal Republic of Germany	Japan	United Kingdom	France	Belgium-Luxembourg
1965	693.4	146.9	110.3	29.7	-	-	-
1966	626.8	132.9	63.9	58.9	-	-	3.5
1967	780.6	163.3	38.8	122.0	2.5	-	-
1968	2,893.6	645.4	230.4	366.4	15.7	9.7	18.6
1969	5,102.2	1,098.7	470.1	399.6	87.7	71.9	20.1

Table 2 (continued)

Angola: Principal exports and main destinations, 1965-1969 (continued)

E. Fish meal

(thousand tons and million escudos)

	Exports		Main destinations (value)				
Year	Volume	Value	Portugal	Federal Republic of Germany	France	Mozambique	Netherlands
1965	48.0	174.6	23.5	35.2	0.3	2.7	3.5
1966	54.2	220.3	36.9	54.0	1.7	4.6	3.4
1967	36.8	128.8	46.9	18.1	-	5.7	-
1968	44.0	134.6	49.4	24.2	0.9	8.7	1.5
1969	92.4	347.2	79.3	161.7	14.2	9.2	4.6

F. Bulk cotton

Year	Volume	Value	Portugal
1965	4.8	83.4	83.4
1966	6.1	105.8	105.8
1967	5.9	102.5	102.5
1968	10.9	191.4	191.4
1969	18.8	329.8	329.8

G. Maize

Year	Volume	Value	Portugal	Cape Verde	São Tomé and Principe	Zaire	United Kingdom
1965	168.2	282.9	168.1	15.6	15.2	34.8	46.3
1966	64.7	115.7	84.2	6.9	3.3	21.4	-
1967	100.8	174.2	164.3	7.0	2.9	-	-
1968	153.3	245.2	227.6	15.1	2.6	-	-
1969	177.4	305.1	249.9	51.9	3.3	-	-

Table 2 (continued)

Angola: Principal exports and main destinations, 1965-1969 (continued)

H. Undressed timber

(thousand tons and million escudos)

Year	Exports: Volume	Exports: Value	Main destinations (value): Portugal	Federal Republic of Germany	South Africa	Netherlands	United Kingdom
1965	87.0	99.0	72.4	2.6	13.1	1.2	2.6
1966	102.0	122.0	85.4	10.1	15.5	1.4	0.8
1967	93.8	120.7	92.5	14.0	8.2	1.3	0.9
1968	135.7	189.8	149.7	21.1	7.3	2.1	0.4
1969	152.1	224.1	164.6	24.5	11.9	4.0	0.4

I. Sisal

			Portugal	Spain	Netherlands	Federal Republic of Germany	Belgium-Luxembourg
1965	50.3	275.0	166.4	30.4	33.9	2.7	3.0
1966	61.0	301.0	185.4	53.8	21.4	1.7	2.7
1967	47.1	194.0	107.6	35.0	12.8	1.0	2.9
1968	52.4	201.5	107.0	39.4	18.4	0.6	-
1969	50.0	196.8	92.5	49.7	15.1	4.6	0.5

Table 2 (continued)

Angola: Principal exports and main destinations, 1965-1969 (continued)

J. Dry fish (unspecified)

(thousand tons and million escudos)

Year	Exports volume	Value	Main destinations (value): Mozambique	Sao Tomé and Principe	Zaire	South Africa
1965	13.3	84.8	27.6	3.3	48.0	-
1966	16.2	113.5	28.8	2.5	81.8	-
1967	13.6	96.3	34.0	1.9	59.4	-
1968	16.1	118.9	36.9	0.7	78.7	1.1
1969	12.1	84.7	41.1	1.0	41.4	1.0

K. Manioc roots

Year	Exports volume	Value	Portugal	Spain	Federal Republic of Germany	Netherlands	Belgium-Luxembourg
1965	37.5	63.8	17.7	16.3	22.0	2.2	2.7
1966	41.4	72.0	14.0	31.2	13.7	2.4	5.3
1967	49.8	75.4	10.8	5.5	35.1	5.1	7.2
1968	67.4	99.7	21.2	3.3	41.8	4.2	20.2
1969	35.9	58.4	15.4	18.8	11.3	4.2	1.1

L. Sugar

Year	Exports volume	Value	Portugal	Cape Verde	Guinea called Portuguese Guinea	Sao Tomé and Principe
1965	33.5	113.3	92.6	12.3	4.4	3.6
1966	27.4	89.7	64.4	14.6	5.5	3.9
1967	26.3	87.5	58.6	18.6	6.0	3.8
1968	13.7	48.7	20.1	15.7	8.1	4.2
1969	14.4	51.1	21.5	20.5	5.8	3.1

Sources: 1965-1968: Angola, *Comércio Externo*, volume II for respective years.
1969: Angola, *Boletim Mensal de Estatística*, December 1969.

B. MOZAMBIQUE

INTRODUCTION

1. According to a report prepared by the Standard Bank Investment Corporation, Ltd., one of the principal factors that has hindered more rapid development in the past in Mozambique has been the lack of capital. With the construction of the Cabora Bassa dam, new foreign capital is being attracted, as well as immigrants.

2. As the following information shows, the countries which are the Territory's leading trade partners, Portugal, South Africa and the United States, are also among its major sources of foreign investment. Other countries that have committed investments or are planning investments or new trade arrangements with Mozambique include France, the Federal Republic of Germany and Japan. Moreover, both Portuguese and foreign sources expect the Cabora Bassa project to further stimulate "economic development".

3. In 1971, the minimum wage rates in Mozambique were revised. In agriculture, forestry and livestock activities the minimum daily wage rate in rural areas has been set at 15 escudos a/ a day in Zambézia, Tete, Moçambique, Niassa and Cabo Delgado; 19 escudos a day in the districts of Beira and Vila Pery; and 22 escudos a day in Lourenço Marques, Gaza and Inhambane.

4. In industry, business and services, minimum wage rates range from 18 to 25 escudos a day and in other activities from 22 to 30 escudos a day. Whereas, under the previous regulations, employers were allowed to deduct up to 68 per cent of the actual wages for food, clothing and lodging, the new regulations limit such deductions to not more than half of the minimum wage rate. This means that a rural worker is guaranteed a cash wage of 7.5 escudos a day, or about $US0.25.

5. A report in one of the Mozambique newspapers noted that the new wage rates represented an improvement of 31.6, 28.6 and 30.9 per cent respectively for workers in the northern, central and southern regions of the Territory. A recent report estimated, however, that of the 7,750,000 Africans in Mozambique, all but some 450,000 lived within the subsistence sector, producing food crops for their own use with some cash crops. The improved wage rates would therefore have no impact on the great majority of the population. Moreover, despite the growing influx of new investments, there has been little growth in the number of wage earners.

6. Between 1959 and 1967, the number of workers in the extractive industries dropped from 8,139 to 6,929, while those employed in transforming industries increased by less than 1,000 persons a year, from 62,427 to 68,653.

7. Recent information on new developments involving foreign economic and other interests is summarized below.

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a/ One escudo equals $US0.035.

1. MINING

General

8. The intensified search for minerals in Mozambique continued in 1970, and a number of new discoveries were reported. However, some of the recently announced discoveries seem to be at or near locations where deposits have been known to exist but which had not been surveyed and assessed, or which had previously been considered uneconomical owing to the lack of power and difficulties of transport. As surveys are still continuing, it is difficult to give an accurate description of the mineral potential of the Territory at the present time. The geological mapping and mineral survey by the Bureau de Recherche Géologique et Minière of Zambézia, Moçambique, Miassa and Cabo Delgado districts, for instance, will not be completed before 1973. In Tete, a mineral resources map is being prepared by the Missão de Fomento e Povoamento do Zambeze and the Department of Geology and Mines is continuing with an inventory of the mineral resources.

9. So far, petroleum prospecting has been disappointing and plans for mining on a large scale are limited to iron and coal of which several sizable deposits have been ascertained. Some new deposits of copper and fluorites were also reported during the year. The requests for new exclusive concessions in 1970 are shown in table 1 below. Other developments are described in the paragraphs which follow.

Production and export

10. In 1969, except for coal, only small amounts of a few other minerals were produced. The total value of minerals exported amounted to 33.6 million escudos which was about 0.7 per cent of the total value of the Territory's exports. The drop from 65.1 million escudos in 1968 was due to a substantial decrease in exports of colombo tantalite and microlite (see table 2 below).

Petroleum prospecting

11. As far as is known, no decisions have been made on the pending request for a concession by Imperial Oil and Gas, Ltd. b/ and no new concessions were granted during 1970. In August 1970, the Tenneco Mozambique Oil Company was reported to have requested an exclusive concession for petroleum prospecting. Previously, in 1968, Tenneco-Angola had also requested an exclusive concession to prospect for all minerals, except diamonds and hydrocarbons. c/ There is no further information yet on either request. According to the territorial budget estimates, revenue from the petroleum concessions in the form of direito de concessão alone is expected to

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b/ See Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23A (A/8023/Rev.1/Add.1), annex, appendix III, para. 124.

c/ For information on Tenneco, Inc., see ibid., Twenty-fourth Session, Supplement No. 23A (A/7623/Rev.1/Add.1), appendix II, paras. 45-46. It is assumed that Tenneco-Mozambique and Tenneco-Angola are both subsidiaries of Tenneco, Inc.

amount to 10 million escudos in 1971, compared with 30 million escudos in the previous year.

12. During 1970, the five international groups which have held exclusive concessions since 1968 continued prospecting for petroleum, but no oil has yet been found. These five groups are: (a) Sunray, Skelly and Clark; (b) Mozambique Gulf Oil and Mozambique Pan American Oil; (c) Anglo-American Corporation, Société Nationale des Pétroles d'Aquitaine, Entreprise de Recherches et d'Activités Pétrolières (ERAP) and Gelsenkirchner Bergwerks Aktiengesellschaft; (d) Hunt International Oil Company; and (e) Texaco, Inc. d/ There is no recent information on the activities of the Sunray, Skelly and Clark group or of Texaco; the other three companies continued drilling in various areas.

13. Since the end of 1970, there have been reports in the press that the Mozambique Gulf Oil Company has decided to suspend operations which have been running at a cost of 200,000 to 500,000 escudos a day. (Under its contract the company is required to spend at least 76 million escudos a year in prospecting.) The Mozambique Pan American Oil Company, its associate, was reported to be negotiating to take over the whole concession contract. There are also reports that the natural gas deposit which the Mozambique Gulf Oil Company found at Pande, Inhambane, in 1965 is to be commercialized for export. The gas will reportedly be liquefied and the entire output exported through a pipeline linking Pande to the Rand region in South Africa.

Iron ore

(a) Prospecting and mining

14. Several new deposits of iron ore were discovered in 1970. As far as can be ascertained, there appear to be three major areas of iron deposits in Mozambique: (a) the northern part of Moçambique District, stretching in an arc from Namapa in the north to Nacala in the south and westwards through Mirrote; (b) Tete District, along the upper Zambezi valley, between Moatize and Zumbo on the border with Zambia; (c) the northern part of the districts of Vila Pery and Beira, former district of Manica e Sofala, in the Barué *circunscrição*, with a major deposit at Honde, which lies about 150 kilometres north of the town of Vila Pery. In addition, other deposits have been mentioned at Cuti, Chaca, the exact locations of which have not been identified, and at Namaacha in Lourenço Marques District on the border with Swaziland.

(i) Moçambique District: Mirrote-Namapa

15. In September 1970, an official from the Directorate-General of Mines of the Ministry of Overseas Territories told the press that a Japanese consortium was studying the economic possibilities of mining the iron ore deposits at Namapa, north of Nampula. This was the first indication of renewed Japanese interest in

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d/ For a description of the concessions and the eleven companies involved, see *ibid.*, *Twenty-third Session, Annexes*, agenda item 68, document A/7320/Add.1, appendix III. For a map of the concessions, see *ibid.*, *Twenty-fourth Session, Supplement No. 23A* (A/7623/Rev.1/Add.1), appendix II.

the Mozambique iron deposits since Sumitomo withdrew in 1968 from an undertaking to exploit the Mirrote deposits. e/

16. According to recent press reports, the Companhia do Urânio de Moçambique which has been carrying out survey work has discovered deposits of iron ore having a proved amount of some 200 million tons with a 25 per cent content of titaneferrous magnetites. These deposits range over a wide arc in northern Mozambique. Both Namapa and Mirrote have been mentioned in some reports, although the exact area is unknown. According to a spokesman for the Japanese Sumitomo group, extensive surveys have proved the presence of 100 million tons of high-grade ore. A joint project with the Portuguese Government is being considered by both parties. This would require the Portuguese Government to finance and build a special new, ore-loading port at Nacala, which is to undergo a 250 million escudo expansion, and a railway link from Nacala to the ore site, with the Japanese group financing the mining operations.

(ii) Tete

17. As reported previously, large deposits of magnetite are known to exist at Muende in Tete District near the Moatize coal mine where the Companhia do Urânio de Moçambique has held exclusive rights to prospect for iron ore in an area of fifty-five square kilometres. This concession, which was last renewed in February 1969 (Portaria 23,912, 12 February) was due to expire at the end of 1970. In 1969, the company was granted another concession in Tete to prospect for iron ore for an initial period of two years.

18. The 1970 edition of Who Owns Whom lists the Companhia do Urânio de Moçambique as a subsidiary of the Companhia de Moçambique. f/ In May 1971, a Portuguese source reported that the Companhia do Urânio was a subsidiary of Grupo Entreposto, a diversified enterprise operating in Portugal and Mozambique, in four major sectors: commercial, industrial, investments, and mixed. The group's investments exceed 2.5 million contos. g/ The Companhia do Urânio is part of the mixed sector, which also includes the Companhia de Construções de Moçambique, S.A.R.L.; the Companhia do Pipeline Moçambique - Rhodesia, S.A.R.L., and Moçambique Florestal, S.A.R.L.

(iii) Vila Pery and Beira

19. The Nuclear Energy Board of Portugal, which has been prospecting for radioactive minerals in Mozambique, reported a find in early 1971 of important iron deposits in the region of Honde which is about 100 kilometres north of Vila Pery and close to the border with Southern Rhodesia.

20. Prospecting work in this region is reported to have been undertaken since 1968 to determine the size and quality of the deposits. So far, it is estimated that there are at least 100 million tons of high-grade ore with a 47.4 to 63.3 per cent iron content. The ore is reported to contain very little sulphur and

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e/ See ibid., para. 109.

f/ For a description of this company, see ibid., Twentieth Session, Annexes, addendum to agenda item 23 (A/6000/Rev.1), chap. V, appendix, annex II, paras. 214-220.

g/ One contos equals 1,000 escudos.

phosphorous and practically no titanium. A new company known as Hondeminas-Sociedade Mineira was established in 1970 to prospect for iron ore in that area. Portuguese newspaper reports have compared the deposits at Honde with those at Cassinga in Angola, where proved reserves amount to some 140 million tons with 62 to 64 per cent iron content and over 300 million tons with a 42 to 45 per cent iron content.

(b) Processing

21. There appear to be two plans for processing the iron deposits, one for a pig iron foundry and one for a steel plant.

22. The Zambezi Development Mission has drawn up plans for the economic development of the Zambezi valley with a pig iron foundry as the motor industry, using the titanium magnetites which are known to exist in the region. The plan envisages the extraction of 4 million tons of ore a year and the production of 2 million tons of pig iron. This scheme also entails the use of coal from Moatize and other deposits, as well as the electricity from the Cabora Bassa project.

23. As reported previously, h/ the establishment of a steel plant in Mozambique has been under consideration for some time. With the prospects of abundant cheap energy from the Cabora Bassa project, plans for a steel plant have been given a new impetus. The Companhia do Urânio de Moçambique has already been granted a licence to establish a steel plant with an initial capacity of 250,000 tons a year. The exact location of the plant has not yet been decided. The company has been asked by the Ministry of the Economy and the Ministry of Overseas Territories to base its plans for a steel plant on Mozambique coal and iron resources. The company has also been asked to submit detailed studies of the proved reserves, the available markets and the economic viability of the project, taking into account transport facilities and energy supplies. A suggestion for establishing a steel plant in Lourenço Marques, using iron ore from the Cassinga mines in Angola and imported coke, has been officially opposed on the grounds that this would create even further over-concentration of industries in the extreme southern portion of the Territory.

24. One feasibility study has already been made by the General Mining and Finance Corporation of South Africa on behalf of the Companhia do Urânio de Moçambique. This study envisaged the use of the iron deposits near Vila Pery and the establishment of a steel mill either in the mining area or at Beira. It may be recalled that the Grupo Entreposto, of which Companhia do Urânio de Mozambique is a subsidiary (see paragraph 18 above), was authorized to build a steel mill in Tete.

Coal

25. As is well known, deposits of coal exist in several locations in the districts of Tete, Niassa, Vila Pery and Beira. Up to the present time, however, the only active mining is undertaken by the Companhia Carbonífera de Moçambique at Moatize. Although it was reported in 1970 that the company had received a new concession for coal mining in Tete, there has been no official confirmation so far.

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h/ See Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23A (A/8023/Rev.1/Add.1), annex, appendix III, para. 150.

26. The company is now reported to have begun a programme to expand production and to export coal to Japan. In 1969, coal exports to Japan amounted to some 31,000 tons, valued at 7.7 million escudos. In one report it was stated that the company planned to increase its production to 100,000 tons a month, but there was no reference to the share intended for Japan. The production target represents a significant increase above the average of some 280,000 to 320,000 tons per annum in recent years. Japan is reported to be prepared to take two million tons a year of coking coal for the next 20 years. In May 1971, a Japanese economic mission visited Lourenço Marques to discuss the question of coal exports with the railway authorities of the Territory.

Copper

27. Since 1965, Edmundian Investments (Pty.), Ltd., of South Africa has held the only copper mining concession in Mozambique. The reports of the Geological and Mines Services indicate that no copper was produced in 1968 and 1969. In 1970, the company was reported to be handling 120 tons of ore per day and producing 4 tons per day of reduced copper which was exported to Japan.

28. According to press reports, a new deposit of copper was found in 1970 near Manica in Vila Pery District. Although limited in quantity, the copper ore is said to be of high quality and in sufficient quantity to enable mining operations to last 10 years. In September 1970, the Southern Rhodesian branch of Lonhro (United Kingdom) was said to be interested in exploiting the deposits.

29. In January 1971, it was reported that Edmundian Investments had also found copper near Manica and planned to request rights to exploit the new deposits and invest 55 million escudos in the venture. Exports of copper ore are expected to earn 27 million escudos a year, which will be substantially increased if the copper is purified electrolytically before export.

Fluorite

30. Production of fluorite in Mozambique is limited at present to the Canxixe mines located in the triangle Mutarara-Chemba-Guro in Vila Pery District, which are exploited by Interminas-Fluorites de Moçambique, S.A.R.L. Other deposits are known to exist at Maringué, Chioco, Djanguire, Cangainhama and Txerra in Tete, and in the basin area of the Zambezi River. Mining rights have not yet been granted for exploration of those deposits, although the Anglo American Corporation was reported to have requested fluorite mining rights at Maringué and Krupp of Essen was said to have made a similar request for rights at Chioco. i/

31. By mid-1970, the output of fluorite by the Canxixe mines had reached 1,000 tons every two months, and it was then expected to increase output to 3,000 tons per month. All the production has been destined for export, mainly to the Federal Republic of Germany. No details are available, however. The value of fluorite in the international market is about $US50 per ton. Interminas is reported to be interested in the industrialization of fluorite to obtain fluoric acid, which is important to the pharmaceutical and glass industries, and of criolite, which is used in the treatment of bauxite in aluminium production.

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i/ Ibid., para. 43.

32. Little information is available on the composition and capital of Interminas-Fluorites de Moçambique, which is associated with the Continental Ore Corporation and Société de Minéraux of Luxembourg. j/ According to a newspaper report, the major shareholder is Sociedade Algodoeira do Fomento Colonial (SAFC) k/ but part of the investment is said to be foreign capital, to guarantee "participation in the international market". According to a Portuguese source, the Companhia Mineira do Lobito is interested in participating in the exploitation of flourite in Mozambique.

Nickel

33. A well-known South African mining company is reported to be investing 250 to 400 million escudos to develop nickel deposits in the Mangola mountains, about eight kilometres from the town of Manica.

Microlite, perlite, montmorilonite and diatomite

34. As shown in table 3 below, a number of mining concessions have been granted since 1967 for microlite, perlite and montmorilonite (bentonite). By 1969 however, only very small amounts of microlite and montmorilonite had been exported. There is no information on perlite output.

Other developments

(a) The Messina (Transvaal) Development Co., Ltd.

35. As previously reported, l/ the Southern Rhodesian concern, the Messina (Transvaal) Development Co., Ltd., was granted an exclusive two-year concession in 1968 to prospect for all minerals except diamonds, petroleum, coal, solid fuels and radioactive materials in the former Manica e Sofala District, now known as Vila Pery. In April 1970, it was reported in a Mozambique newspaper that the company, which had been incorporated as Messina Mineira de Moçambique, had stopped prospecting and that its technicians had returned to Southern Rhodesia.

(b) Companhia Moçambicana de Minas, S.A.R.L. (COMOCMIN)

36. As previously reported, in December 1969, the Johannesburg Consolidated Investment Company, Ltd., known as "Johnnies", and Mr. Lionel Gomes dos Santos,

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j/ Ibid., Twenty-third Session, Annexes, agenda item 68, document A/7320/Add.1, appendix III, para. 163.

k/ For a description of this company, the largest cotton textile producer in both Angola and Mozambique, see ibid., Twenty-first Session, Annexes, addendum to agenda item 23 (A/6300/Rev.1), chap. V, annex, appendix III, paras. 34-37.

l/ See ibid., Twenty-fourth Session, Annexes, Supplement No. 23A (A/7623/Rev.1/Add.1), appendix II, paras. 110 and 111.

of Mozambique, were granted an exclusive concession in Tete District to prospect for all minerals except petroleum, natural gas and its by-products, diamonds and iron ore. The final contract, which was signed on 29 October 1970, followed the terms of the concession laid down in Decree 49,433 of 19 December 1969. m/ According to press reports, Johnnies holds 60 per cent of the initial shares in COMOCMIN and the Anglo-American Corporation of South Africa holds 40 per cent. Mr. Gomes dos Santos has the option to acquire a minority holding.

37. At the signing of the contract, Johnnies was represented by Mr. Percy Ronald Wilton, who became the director of the new company, and Mr. Gonçalo Mesquitela, who is currently the representative of Mozambique in the Overseas Council. In February 1971, a spokesman for the company said that prospecting in the area of the concession had revealed the existence of important deposits of coal and iron ore, as well as asbestos, graphite, copper, nickel, tin and chrome. The first report of the Board of Directors of COMOCMIN for the period 23 July to 31 December 1970, noted that the company's activities, have been aimed at defining the lesser possibilities of prospecting in the areas covered by its concession. Prospecting for copper, nickel and cobalt were carried out in an area of 12,104 square kilometres; and for zinc, tin and tungsten in areas covering respectively 6,254 and 560 square kilometres. The total area so far prospected covers 43,686 square kilometres. The report noted that valuable assistance had been given by the district government authorities and by the military officers in Moatize.

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m/ See ibid., Twenty-fifth Session, Supplement No. 23 A (A/8023/Rev.1/Add.1), annex, appendix III, paras. 131-138.

Table 1

Mozambique: requests for new mining concessions, 1970

Name of company	Location	Minerals
Ball and Collins[a/] (Oil and Gas) Limited	One area along Zambezi River from Tete to below Chinde; another from Chinde along the coast to the Rovuma River	All minerals, except hydrocarbons
F. George Clark	Tete District: between Zumbo and Magoé along both banks of the Zambezi River	All minerals, except hydrocarbons and diamonds
Complexo Mineiro do Norte (COMINOR)	Two small overlapping areas on the coast and on the border between the two districts of Moçambique and Cabo Delgado	All minerals, except hydrocarbons, diamonds and radioactive materials
Kingsa Mineral Resources, S.A. (Pty) Limited	Zambézia, Moçambique and Cabo Delgado: an area 10 kilometres wide along the coast of the three districts	All minerals, except hydrocarbons and diamonds
Companhia Mineira do Lobito, S.A.R.L.	Tete District: two areas, one in Djanguire (Chioco), and one in Domba (Changara)	All minerals, including fluorite, except diamonds, petroleum and any mineral oils
Sociedade Mineira e Metalúrgica Penãrroya Portuguesa, Lda	Tete District: area north of of Zumbo	All minerals, except hydrocarbons, diamonds and radioactive minerals
Aires Correia de Souza Neves	Tete District: area in the Mazoi River and frontier with Southern Rhodesia	All minerals, except hydrocarbons (petroleum, etc.) and diamonds

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a/ This company has an exclusive concession in São Tomé and Príncipe for prospecting, development and production of petroleum and related substances. See Official Records of the General Assembly, Twenty-fifth session, Supplement No. 23 (A/8023/Rev.1), chap. VII, annex I.F, paras. 23-27.

Table 2

Mozambique: production and exports of principal minerals, 1969[a/]

Minerals	Production (tons)	Exports (tons)	Value of exports (million escudos)	Principal countries of destination b/
Asbestos	786.7 (120.0)	786.7 (120.0)	1.3 (0.2)	United States of America, Federal Republic of Germany, Italy, Japan
Bauxite	4,393.2 (3,274.6)	4,301.4 (5,685.0)	0.5 (0.3)	Southern Rhodesia
Beryl	121.8 (95.3)	54.6 (103.3)	1.4 (0.7)	United States, Southern Rhodesia, Netherlands Portugal
Bismutite	2.6 (2.1)	3.6 (2.0)	0.5 (0.2)	Netherlands, United Kingdom of Great Britain and Northern Ireland
Coal	276,788.2 (314,408.0)	96,140.5 (68,213.0)	21.9 (16.7)	Japan, Kenya, Angola, Malawi
Columbo-tantalite	64.5 (62.0)	9.6 (72.3)	2.0 (19.7)	United States, United Kingdom
Microcline	82.5 (90.4)	13.0 (84.0)	3.4 (23.5)	United States, United Kingdom
Montmorilonite (bentonite)	2,619.2 (2,655.7)	1,227.4 (2,354.4)	1.3 (1.9)	South Africa, United Kingdom, Portugal, Australia, France, Sweden, Japan
Tourmalines	6.5 (0.9)	1.2 (2.4)	1.3 (1.9)	South Africa, Federal Republic of Germany, Switzerland, Malawi, Southern Rhodesia, United Kingdom, United States
			33.6 (65.1)	

Source: Mozambique, Boletim Oficial, Series III, No. 70, Supplement, 2 September 1970; Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23 (A/8023/Rev.1), chap. VII, annex I.B, table 16.

a/ Comparative figures for 1968 are shown in parentheses.

b/ In descending order of importance.

Table 3

Mozambique: mines and mining concessions

A. Exclusive concessions, 31 December 1969

	Area (square kilometres) 1966	1969
1. Exclusive concessions for prospecting and exploitation		
Coal		
Companhia Carbonífera de Moçambique	420	a/
Hydrocarbons b/		
Aquitaine Moçambique-Companhia de Petróleos, S.A.R.L, Anmercosa-Companhia de Petróleos de Moçambique, S.A.R.L., and Gelsenkirchener Bergwerks Aktiengesellschaft		60,898
Hunt International Petroleum Company		...
Mozambique Gulf Oil Company and Pan American Oil Company	116,750	47,718
Sunray Mozambique Oil Company		
Clark Mozambique Oil Company and Skelly Mozambique Oil Company		57,200
2. Exclusive concessions for prospecting ferrous metals		
Iron ore		
Companhia do Urânio de Moçambique (Two concessions)	55	60.5
Diamonds		
Diamoc-Companhia dos Diamantes de Moçambique	32,900	-

Source: Mozambique, Boletim Oficial, Series III, No. 70, Supplement 2 September 1970.

a/ The previously held exclusive concession appears to have been discontinued. The company is listed as actively mining an area of 3,076 hectares over which it has had concession rights since 1957.

b/ In January 1968, Texaco, Inc. was granted a concession to prospect for hydrocarbons for three years, but there is no reference to this concession in the report from which this information is taken.

Table 3 (continued)

	Area (square kilometres)
Radioactive minerals	
Companhia do Urânio de Moçambique	2,260
3. Exclusive concession for prospecting and exploiting all minerals, except diamonds, hydrocarbons, coal, and radioactive minerals	
Raul de Faria Gonçalves	5,950
The Messina (Transvaal) Development Co., Ltd.	5,121

B. Mining concessions for exploitation granted in 1967, 1968 and 1969

	Area (hectares)
Beryl, columbo-tantalite, bismutite, columbite and mica	
António Marques	22
Adrião de Faria Gonçalves (heirs)	94
Minas de Mocuba Lda.	387
Minerais Preciosos, Lda.	179
Sociedade Mineira de Marropino, Lda.	93
Sociedade Mineira de Mucubela, Lda.	485
Mário de Quental Cabral	68
Gold	
Walter Walker Johnson	12
Radioactive minerals	
Vincente Ribeiro e Castro (heirs)	1,200

Source: Mozambique, Boletim Oficial, Series III, 2 September 1970.

Table 3 (continued)

	Area (hectares)
Perlite	
Pedreiras de Goba, Lda.	509
Joaquim Jaime Moinhos	204
Sociedade Particular de Pesquisas de Minérios, Lda.	22
Montmorilonite, cristobalite and perlite	
Luzinada Umbelúzi Mina, Lda.	1,505
Júlio Gomes Ferreira	106
Asbestos	
Minas Gerais de Moçambique, Lda.	152
Sociedade Mineira de Mutala, Lda.	487
Quartzose sands, non-ferrous	
Companhia Vidreira de Moçambique	38
Columbium, tantalus, rare earths and torium	
Adrião de Faria Gonçalves (heirs)	824
Ilmenite, rutile and zirconium	
Geotécnica e Minas, Lda.	1,303
Tantalite, Microlite and lithium	
Sociedade Mineira de Marropino, Lda.	297
Iron-ore	
Maria Vitória Silveira	598
Garnet	
Empresa Mineira do Niassa, Lda.	618
António Moreno Caetano	201

2. OTHER INDUSTRIES

38. Between 1963 and 1968, the aggregate capital invested in transforming industries rose by an average of 360 million escudos a year, from 5,652 million to 8,450 million escudos, while annual industrial output rose from 4,600 million to 6,300 million escudos. Investment in new industries in 1969 was only 324.8 million escudos, or about 10 per cent below the average for the preceding five-year period.

39. Of the 515 new industries licensed in 1969, only 223 were officially listed as transforming industries. The remainder included 45 banks, 54 transport and storage facilities, and 190 service industries. Only 50 per cent of the total capital was invested in manufacturing industries, 31 per cent in service industries and 16.7 per cent in transport and storage facilities. More than 90 per cent of the new industries established in 1969 were small, with a capital investment of less than 1 million escudos; fewer than ten had a registered capital of over 5 million escudos and only five industries had a registered capital exceeding 10 million escudos. Among the five industries with the largest registered capital, two were manufacturers of machinery, one was a film factory, one was a warehouse and one was described as "service facilities to business".

40. Complete data are not yet available for 1970. In July 1970, a study by the Industrial Association of Mozambique estimated that by the end of the year aggregate investment in industries would reach 10,000 million escudos with a gross output value of 8,000 million escudos. No statistics are yet available to confirm this estimate. The statistics for the first three months suggest, however, that the growth rate had begun an upward trend; investments during this period had already reached 345 million escudos. Consideration is also being given to the establishment of a second petroleum refinery, even though petroleum has not yet been found in the Territory.

41. In the two years since 1969, most of the large new investments reported in the industrial sector in Mozambique have been of foreign origin. The largest of these involved the purchase of a group of local metallurgical plants by the International Standard Electric Corporation. The second largest was the commitment by a French company to build a new textile plant. These and other new investments exceeding 1 million escudos are shown by nationality in table 4 below and are described briefly in the following paragraphs.

(a) France

Compagnie générale d'entreprises électriques (CGEE)

42. In December 1970, the Compagnie générale d'entreprises électriques (CGEE) of France signed a contract with the Portuguese Government for the construction of a cotton textile factory at Matola, Lourenço Marques District, at an estimated cost of 290 million escudos. The factory, which is to be completed by 1973, will have an annual production capacity of 16.5 million metres of cotton textiles, at a

value of about 200 million escudos. The factory will form part of the Texcom textile complex, and is expected to consume about 20 to 25 per cent of the Territory's cotton lint production. With this new plant, Mozambique will be able to meet its textile needs and have a surplus for export.

43. CGEE is also a partner in the ZAMCO consortium which was awarded the contract to build the first phase of the Cabora Bassa project. n/ Texcom, which has a registered capital of 80 million escudos, is jointly financed by French and Portuguese capital. The Sociedade Financeira Portuguesa and the Instituto de Crédito de Moçambique have each invested 10 million escudos in Texcom. Schoeffer Engineering, which provides the technical advice, is reported to have a small share in the company also. French sources which have helped to finance Texcom include the Banque Française du commerce extérieur, and the Banque de Suez et de l'Union des Mines.

(b) South Africa

(i) Indústrias de Caju Antenes, S.A.R.L.

44. This company was established in 1970 by the Indústria de Caju Mocitas and several other partners. The capital of 10 million escudos is divided into 10,000 shares of 1,000 escudos each. The company's activities include all phases of the cashew business, including purchasing, processing and marketing of cashew and its by-products. No information is available on the other partners involved.

(ii) Indústrias de Caju Mocitas

45. In 1970, this company, which is jointly financed by Italian and South African interests, increased its registered capital from 20 million to 42 million escudos. The additional new capital, amounting to 22 million escudos, is to be financed as follows: Anglo American Corporation of South Africa, which has a controlling interest, 24.5 million escudos; Tiger Oats National Milling Co., Ltd. of South Africa, 11.9 million escudos; the Oltremare-Industria Prodotti Alimentari e Derivati SPA, 4 million escudos; and Cashew Investment, of which the nationality is unknown, 2 million escudos.

(iii) Rennies' Consolidated (L.M.), Ltda.

46. This company, formerly known as Rennies' Consolidated (L.M.) (Proprietary), Ltd., transferred its headquarters from Johannesburg, South Africa, to Lourenço Marques, where it has been incorporated. Rennies' is involved in transport, traffic, insurance and storage of goods in transit. Its registered capital, of 21,255,000 escudos is owned in five equal shares by each of the following concerns: R.C.H. Projects (Pty), Ltd.; R.C.H. Management Services (Pty), Ltd.; Rennies' Consolidated Holdings, Ltd.; Emen Mining Company (Pty), Ltd. and Rio Rita Concessions (Pty), Ltd.

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n/ Ibid., paras. 163 and 164.

(c) United Kingdom

Babcock and Wilcox Moçambicana, S.A.R.L.

47. This company was established in Mozambique in 1970. Its field of activities will be the construction, assembly, import and export of metal tubing, and the metallic construction and installation of steam boilers and accessories.

48. The company has an initial registered capital of 12 million escudos divided into 12,000 shares of 1,000 escudos each. The registered capital may be increased to 50 million escudos. The principal shareholders are Babcock and Wilcox Portuguesa, S.A.R.L., Babcock and Wilcox of South Africa, and Babcock and Wilcox of Spain (Sociedades Españolas de Construcciones Babcock and Wilcox, S.A.), with respectively 1,250, 1,200 and 700 shares each; Messrs. Harold Merle Carlin and Desmond Paul Maré, both South African nationals, with 1,200 shares each; and Mr. Derek Vincent Ralphs, also a South African national, with 1,080 shares. The remaining 5,420 shares are divided among thirteen other partners holding shares varying from 20 to 600 in number.

49. According to the United Kingdom edition of Who Owns Whom, Babcock and Wilcox of South Africa, and Babcock and Wilcox of Spain are subsidiaries of Babcock and Wilcox of London. A United Kingdom source reported in 1970 that the company had established a Mozambique subsidiary with a view to participating in some of the subcontracts in connexion with the Cabora Bassa project. Babcock and Wilcox of Spain has a contract in Cape Verde for the construction of a desalination plant. o/

50. There is also a Babcock and Wilcox Company of the United States, with subsidiaries in France, Italy, Sweden and the Federal Republic of Germany. This company ranks 159th among the 500 largest United States industrial corporations. p/ Jane's Major Companies of Europe, 1970, describes this company as well as Babcock and Wilcox Portuguesa, S.A.R.L., of Lisbon, as allied companies of Babcock and Wilcox, Ltd., of London, England.

(d) United States of America

(i) Fortis Elevadores, S.A.R.L.

51. This elevator company, which has a registered capital of 2 million escudos, was acquired by the Otis Elevator Company of the United States at a price of 17 million escudos. Otis has subsidiaries in Western Europe and Lebanon. In 1969, its total sales amounted to $US564.6 million, its assets were $US434 million and its net income $US23 million. The company ranks 192nd among the 500 largest United States industrial corporations.

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o/ See ibid., Twenty-fourth Session, Supplement No. 23 (A/7623/Rev.1), chap. III, annex, para. 38.

p/ "The Fortune Directory: The 500 Largest United States Industrial Corporations", Fortune, May 1971.

(ii) International Standard Electric Corporation

52. In 1970, the International Standard Electric Corporation of the United States acquired complete control of the Grupo Oliva which had a registered capital of 110.7 million escudos. The Grupo Oliva comprises four metallurgical and metal mechanical companies and was acquired at a price of 397.9 million escudos. This complex was among the seven Portuguese-owned industries in Mozambique which were taken over by foreign interests.

53. The International Standard Electric Corporation is controlled by the International Telegraph and Telephone Corporation of the United States. In 1969, its net sales totalled $US1,607.9 million and its net current assets were $US354.2 million.

(iii) Mobil Oil Corporation

54. Mobil Oil Corporation is reported to be planning to build a new refinery at Nacala in Mozambique. According to a Portuguese source, the company has already submitted its final studies to the Portuguese Government for approval. The refinery is expected to cost about 1,000 million escudos.

55. The company, together with domestic and foreign affiliates, operates in all main branches of the petroleum industry. It produces oil in seventeen countries, has refineries in twenty-three countries and chemical affiliates in twelve countries. In 1967, it had a registered capital of $US1,125,000 in 150,000 shares of $US7.50 each. In 1969, its total sales amounted to $US6,621.4 million: its assets were $US7,163 million and its net income $US434.5 million. The company ranks seventh among the 500 largest United States industrial corporations. Its subsidiaries include Mobil Oil of Southern Africa (Pty), which is involved in marketing in South and southern Africa and "Portuguese East Africa".

56. At present, the Sociedade Nacional de Refinação de Petróleos (SONAREP) operates the only refinery in Mozambique, located at Matola, Lourenço Marques. It uses imported crude oil and has a capacity of 800,000 tons a year. SONAREP's production consists of fuel oils, 40 per cent; Diesel oil, 35 per cent; and gasoline, 25 per cent. There is also a 50,000-ton bitumen plant. In 1969, the SONAREP refinery produced over 750,000 tons of refined petroleum, of which 467,000 tons were exported. Exports include 128,800 tons of fuel oil to Portugal and 54,500 tons of gas oil and 84,000 tons of gasoline to South Africa.

(e) Portugal and others

57. A number of companies registered in Mozambique but whose ownership is unknown increased their registered capital in 1970. The most important of these was the Açucareira de Moçambique. This company, which is Portuguese-owned, was established in 1964 with a registered capital of 65 million escudos which could be increased to 100 million escudos. In 1968, the company was further authorized to increase its registered capital from 100 million escudos to 130 million escudos. At that time it was reported to have received loans or advances totalling 55.25 million escudos from three French firms: Compagnie pour l'Etude et le Développement des Echanges Commerciaux (COMPADEC), Present-Roullier and Centre d'études, recherches et informations sucrières (CERIS). However, according to recent information, the contract with CERIS for its services was never implemented.

58. The company's total investment in the sugar industry was estimated at 650 million escudos at the end of 1970. The company has two sugar mills, one at Dondo near Beira, built in 1967, and one near Lourenço Marques. Both mills were built by a South African firm and credit financed by the South African Industrial Development Corporation with the guarantee of the Banco Nacional Ultramarino. In March 1971, Açucareira de Moçambique was reported to be negotiating a loan of 210 million escudos from the Banco Nacional Ultramarino.

59. The company produced 42,000 tons of sugar last year. It plans to expand its current sugar fields from 6,000 to 7,500 hectares with a view to achieving a production target of 90,000 to 100,000 tons during the 1971/72 season.

60. Other companies which increased their registered capital included the Companhia do Búzi, S.A.R.L., one of the largest agro-industrial organizations in Mozambique, q/ which increased its capital from 110 million escudos to 165 million escudos. Krueger (Moçambique) Lda., which has a contract in connexion with the Cabora Bassa Project, r/ increased its capital from 10 million escudos to 16.3 million escudos.

61. New industries established in 1970 included a new cashew shelling factory at Vila Monapo built by the Companhia do Caju do Monapo, S.A.R.L. This company, which has a registered capital of 25 million escudos, is a subsidiary of Grupo Entreposto (see para. 18 above). Among the other industries established were a 60-million escudo grain mill with an annual capacity of 21,000 tons, built by the Fábrica de Moagem de Beira (MOBEIRA), and two gas plants established by the Sociedade Moçambicana de Gases Comprimidos (MOGAS). One of the plants will be a carbonic gas plant at Nacala to be built at a cost of 7.5 million escudos, and the other will be an oxygen and acetylene plant at Songo, to supply the Cabora Bassa works. It is expected to cost 5.5 million escudos.

(f) Recent developments

62. Apart from the limited size and scope of the new industries, one of the major problems has been the difficulty of attracting industries to underdeveloped areas. In 1969, for instance, 213, or more than 60 per cent, of the new industries were licensed to be established in Lourenço Marques and 118 in Manica e Sofala. Only ten new industries were established in Cabo Delgado and only nine in Niassa District.

63. In December 1970 (*Diploma Legislativo* 3054, 5 December), the territorial Government enacted new legislation to encourage industrial development. Under these provisions, the licensing procedures have been simplified and new industries may be exempted from all state and local taxes on land and buildings, as well as the usual income, development and supplementary taxes. For the purpose of this legislation, new industries are defined as those producing goods not yet

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q/ *Official Records of the General Assembly, Twenty-first Session*, addendum to agenda item 23 (A/6300/Rev.1), chap. V, annex, appendix III, para. 66.

r/ *Ibid., Twenty-fifth Session, Supplement No. 23A* (A/8023/Rev.1/Add.1), appendix III, annex I.

manufactured in the Territories or not yet of an adequate standard or in sufficient quantity. As a general rule, only industries with a fixed capital investment of over 5 million escudos will be entitled to the tax exemptions, although the Governor-General may make exceptions. The period of exemption is to be determined by zones as follows: (a) within 50 kilometres of the city of Lourenço Marques, two years; (b) within 20 kilometres of Nampula, Nacala, Quelimane or Vila Pery, four years; (c) within 20 kilometres of any other district capital, five years; and (d) any other region, six years. In the case of industries with a priority, the scheduled period of tax exemption may be increased by two years. Industries with investments exceeding 5 million escudos are entitled to an extra year of tax exemption for each additional 10 million escudos invested. Industries that export more than 50 per cent of their production will be entitled to an additional period of exemptions up to four years.

64. According to information from Mozambique new investments of about 10,000 million escudos are envisaged during 1971 and 1972. Most of the new capital is expected to be invested in food products, beverages, tobacco and textiles, although there will be also some diversification.

65. Since the beginning of 1971, a number of new ventures have been reported. These include a consortium comprising Canadian and Japanese interests which is planning to invest over 300 million escudos in plant to manufacture cellulose from eucalyptus trees; the establishment by the Companhia União Fabril (CUF) of a new vegetable oil plant with a capacity of 15,000 tons a year; and the investment of 100 million escudos by the Fábrica de Cervejas Reunidas in connexion with new plants at Lourenço Marques and Nampula. In addition, Indústria Moçambicana de Tubos plans to build a metal tubing factory at Machava near Lourenço Marques. The new plant will have an annual capacity of 15,000 tons, which will cover the Territory's needs (5,000 tons) and provide a substantial surplus for export to South Africa. This is one of the new industries which may be expected to earn foreign exchange to help the Territory's balance-of-payments situation.

Table 4

Mozambique: Reported new capital in transforming industries since 1969 a/

(million escudos)

Nationality and name of company	Investment: New capital	Investment: Increase in capital	Remarks
(a) France			
Compagnie générale d'entreprises électriques	290*		Cotton textile complex. Contract signed December 1970.
(b) South Africa			
Indústrias de Caju Mocitas		22	Cashew processing. Joint South African and Italian concern. Registered capital increased from 20 to 42 million escudos.
Indústrias de Caju Antenes, S.A.R.L.	10		Cashew processing. Partly owned by Caju Mocitas.
Rennies' Consolidated (L.M.), Lda.	21.3		Navigation. Originally South African but transferred to Mozambique.
(c) United Kingdom			
Babcock and Wilcox Moçambicana, S.A.R.L.	12		Metal works, principally tubing. Also Portuguese and Spanish capital.
(d) United States of America			
Fortis Elevadores, S.A.R.L.	2		Purchased by Otis Elevators
Grupo Oliva	397.9		Metallurgy. Purchased by Standard Electric.
Mobil Oil Corporation	1,000*		Oil refinery to be established at Nacala. Authorization pending.

a/ Limited to new capital investments of over 10 million escudos reported in 1969 and 1970. It may be noted that there is often a time lag between the reported planned investment (indicated by an asterisk*) and the actual commitment.

Table 4 (continued)

Nationality and name of company	Investment: New capital	Investment: Increase in capital	Remarks
(e) Portugal and others			
Açucareira de Moçambique		30	Sugar. Registered capital increased from 100 to 130 million escudos.
Companhia do Búzi, S.A.		55	Agro-industry. Registered capital increased from 110 to 165 million escudos.
Companhia do Caju do Mcnapo, S.A.R.L.	250		Cashew processing.
Fábrica de Cervejas Reunidas	100*		Beer and soft drinks.
Fábrica de Moagem de Beira (MOBEIRA)	60		Grain mill to process rice. Opened in Beira.
Indústria Moçambicana de Tubos	40*		Metal tubing.
Krueger (Mozambique), Lda.		6.3	
Sociedade Moçambicana de Gases Comprimidos, (MOCAS)	13		Carbonic gas plant to be installed at Nacala; acetylene gas plant at Songo.

3. TRADE AND BALANCE OF PAYMENTS

General

66. The Third National Development Plan for 1968-1973, published in 1968, noted that the economy of Mozambique was heavily dependent on the external market. Data for the period 1961-1965 showed that six principal crops, namely cashew (unshelled and kernels), cotton, sugar, sisal, tea and copra - and three countries - Portugal, India and South Africa accounted for 63 per cent of the Territory's exports. Furthermore, five categories of imports - cotton textiles, wine, crude petroleum, iron and metal manufactures - made up 25 per cent of the total value of visible imports with Portugal, South Africa and the United Kingdom the principal suppliers. In short, the Development Plan showed that the economy of Mozambique was closely dependent on Portugal and South Africa. s/

67. Official statistics for the period since 1965 show that there has been no basic change in this dependent relationship. In 1969, the latest year for which trade statistics are available, cashew, cotton, sugar, tea, sisal and copra still accounted for almost 65 per cent of the total value of visible exports. In terms of the Territory's total trade, the United States replaced the United Kingdom as the third most important trading partner (8.25 per cent) after Portugal (36 per cent) and South Africa (12.3 per cent).

68. In the decade 1960-1969, Mozambique experienced a steady deterioration in its balance of foreign trade: the deficit rose from 1,172 million escudos in 1961 to 3,410 million escudos in 1968. Official statistics for 1970 are not yet available, but it is reported that the trade deficit rose to an all time high of 4,000 million escudos. As a result, the Territory's balance-of-payments deficit rose to 1,570 million escudos which was 333.3 million escudos higher than in 1969. t/ Mozambique's balance of payments for 1969 is shown in table 5 below.

69. In 1969, total visible exports amounted to 4,081 million escudos, compared with 4,420 million escudos in 1968. Imports, on the other hand, amounted to 7,491 million escudos, a 15 per cent increase over the previous year. The relatively poor performance of the export sector in 1969 was partly due to adverse climate conditions. The rise in imports was due mainly to an increase in four main categories of goods: machinery, base metal products, transport equipment and chemicals, which together accounted for 617.5 million escudos out of the total increase of 770 million escudos over 1968. The tables contained in the annex to the present appendix show that the principal suppliers of these goods were France, the Federal Republic of Germany, Japan, the United Kingdom and the United States. For instance, the Mozambique railways has ten steam locomotives

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s/ Portugal. Presidência do Conselho, III Plano de Fomento para 1968-1973, vol. IV, Lisbon, 1968, p. 15.

t/ See also A/8423/Add.4, annex I.A, paras. 132 ff.

from the United States, ten from the Federal Republic of Germany (six from Henschel and four from Krupp) and eight from France. Its Diesel locomotives are from Japan.

70. The principal categories of trade of the main trading partners are described briefly below. Selected trade statistics on the principal exports and main countries of destination and on main categories of goods traded with the principal partners appear in the annex.

Portugal

71. Portugal, which has always been the Territory's most important trade partner, in 1969 supplied 31 per cent of Mozambique's visible imports by value and took 41 per cent of its exports. The principal imports from Portugal in 1969 were (in million escudos): cotton textiles, 306.1; wine 264.4; articles of apparel and clothing accessories, 159.8; mechanical appliances, electrical appliances and parts, 115.9; electrical machinery and equipment and parts thereof, 105.5.

72. The Territory's principal exports to Portugal were (in million escudos): cotton, 790.1; sugar, 542.1; vegetable oils, 73.5; copra, 47.5 and petroleum 35.1.

South Africa

73. In 1969, South Africa supplied 15.1 per cent of the Territory's imports and took 10.4 per cent of its exports. Between 1968 and 1969, the Territory's imports from South Africa rose by more than 40 per cent, from 793.3 million to 1,127.2 million escudos. The Territory's principal imports from South Africa comprised machinery, vehicles, tractors, iron and steel articles, cereals, fruits and vegetables. Principal exports included petroleum products, wood in rough and railway sleepers, bananas and cashew kernels.

74. The transit trade, which is an important part of the Territory's trade relations with South Africa, has been described previously. u/

United Kingdom

75. In 1969, the United Kingdom supplied 8.2 per cent of the Territory's imports and took 4.8 per cent of its exports. The principal goods supplied by the United Kingdom comprised mainly machinery and mechanical appliances, electrical equipment (including boilers, pumps, etc.); electrical machinery (including lighting and telephone apparatus); tractors, trucks and automobiles. Tea was the Territory's main export to the United Kingdom, accounting for 166.2 million escudos out of a total of 196.7 million escudos.

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u/ Official Records of the General Assembly, Twenty-first Session, Annexes, addendum to agenda item 23 (A/6300/Rev.1), chap. V, annex, appendix V, paras. 23 ff.

76. In 1970, the British National Export Council of Southern Africa sent a mission to Mozambique to survey the opportunities for increasing British exports to the Territory, to report on trade prospects, its local manufacturing industries, agriculture and fisheries, mineral development, capital projects and the Territory's infrastructure. In its report The Mozambique Market, the mission recommended, among other things, that British interests should become associated with the potential in the mining industry for investment, technical knowledge, equipment and plant supply. It also recommended that British interests take advantage of the immed[illegible] export opportunity in the agricultural field for pedigree livestock and agricultural equipment and to supply health equipment. The mission also suggested that close attention should be given to the entire industrial sector "both regarding product penetration and the total market development, especially in the fields of electric power, telecommunications, railway developments, fishing, boat building and refrigeration and parts."

77. In February 1971, a group of British banks, represented by N.M. Rothschild and Sons, granted the Sociedade Financeira Portuguesa a credit line of £5 million to be used for imports of goods and services from the United Kingdom. This credit will enable Mozambique and other Territories under Portuguese administration to import such items as locomotives, equipment for telecommunications, heavy mechanical and metallurgical industries, petroleum industry and for earth-moving and refineries, textile and printing machinery, engraving machines and freighters. The American Telephone and Telegraph Company subsidiary in the United Kingdom has already supplied some equipment for the telephone system and further expansion is expected in the near future.

United States

78. In 1969, the United States took 9.9 per cent of the Territory's exports, valued at 400 million escudos, and supplied 6.5 per cent of its imports, valued at 489 million escudos. The principal items supplied by the United States were boilers, machinery and mechanical appliances, 136.6 million escudos; railway locomotives and rolling stock, 93.9 million escudos; tractors and motor vehicles, 74.8 million escudos. v/ Cashew kernels made up three quarters of the value of the Territory's exports to the United States. The next most important items were crustacea, tea and tantalum (see mining exports), sisal rope and cashew shell oil.

79. In October 1970, it was reported that the United States Department of Commerce had barred a Portuguese firm in Mozambique from handling any further exports from the United States. The Portuguese firm, Armazéns de Produtos Químicos, purchased 20,000 tons of fertilizer from the United States in 1969

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v/ A bulletin on Mozambique (No. ET 70-39), prepared by the United States Department of Commerce, lists the following main imports from the United States during January/May 1969: Locomotives, $US1.87 million; tractors, $US1.03 million; machinery and equipment, including agricultural and electrical $US1.32 million; air conditioners and refrigerators $US0.24 million; automotive equipment and roller bearings, $US0.12 million; pumps, generators, internal combustion engines and parts, $US0.33 million.

which it has refused to account for. The firm is suspected of having re-exported the fertilizer to Southern Rhodesia in violation of the sanctions.

Recent developments

80. As a further measure to help local industries and to improve the Territory's balance-of-payment deficit in 1971, new regulations were introduced under which imports of certain goods from foreign countries during this year will be limited to 75 per cent of the 1970 amounts. In addition, since December 1970, the Mozambique Government has increased the consumption tax on a wide range of imported goods, including wine and textiles, and on certain local products such as beer and cigarettes. In addition to restricting imports the new tax is expected to add substantially to the Territory's revenue.

Table 5

Mozambique: Balance of payments at 31 December 1969

(million escudos)

	Debit	Credit	Balance
Current transactions	8,722.8	7,612.4	-1,110.4
Merchandise	7,018.1	3,930.1	-3,088.0
Current invisibles	1,704.7	3,682.3	+1,977.6
Tourism	304.3	403.1	+ 98.8
Transport	123.8	2,030.4	+1,906.5
Earnings from capital investments	315.4	3.1	- 312.2
Private transfers	440.8	433.9	- 6.9
Other services and payments	520.4	811.8	+ 291.4
Capital movements	719.0	550.5	- 168.5
Short term	8.8	51.4	+ 42.7
Long term	710.2	499.0	- 211.2
Total	9,441.8	8,162.9	-1,278.9

Source: Mozambique, Boletim Mensal de Estatística (No. 12), December 1969.

4. CABORA BASSA PROJECT

81. Details on the Cabora Bassa project appear in the report prepared for Sub-Committee I in 1970. w/ Information on new developments is summarized below.

Financing

82. In a statement to the press on 23 July 1970, the Portuguese Minister for Foreign Affairs, Mr. Rui Patrício, complained that anti-Portuguese propaganda had begun to concentrate on "the pacific plan to build a dam and the meritorious programme for the economic and social development of a vast region of Africa, the project for the Cabora Bassa dam and the plan for the development of the Zambezi Valley". In addition to his explanation of the intention and purpose of the dam, x/ Mr. Patrício said that the construction and exploitation of the dam were "the entire responsibility of the Portuguese State, and the intervention of foreign companies is carried out on the commercial plane in the position of contractors and suppliers of equipment paid for in instalments".

83. Although there is no official information available on the financial arrangements concerning the dam, a recent article gave a summary of the conditions which the Portuguese Government laid down in connexion with the bidding for the construction contract.

84. These were: (a) that a single consortium should undertake the project and assume responsibility for delivering the project to the Portuguese Government; (b) that repayment should be made over a period of twenty years (1976-1995), beginning the year after completion of the project, in 1975; (c) that the financing should in no way affect the budgets of Portugal or the Territory, nor entail the use of external capital markets available for financing the extraordinary expenditures, especially for the implementation of the Development Plans; y/ (d) that the total cost of the project was to be established in escudos, in spite of the fact that foreign services and materials would be involved and there would

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w/ *Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23A* (A/8023/Rev.1/Add.1), annex, appendix III, paras. 154-191.

x/ See A/8423/Add.4, annex I.A, para. 105.

y/ The Portuguese budget is divided into two parts, ordinary and extraordinary. Extraordinary expenditures include overseas military expenditures as well as expenditures for development. See A/8423/Add.4, annex I.A, table 1. In the past, the extraordinary budget has been financed partly by external loans. However, such information has not been available since 1970.

be fluctuations in exchange rates and devaluation in some of the foreign currencies; (e) that the consortium would advance 500 million escudos to the territorial Government to help it in carrying out the complementary works involved; and (f) that the receipts from the energy generated should from the beginning be adequate to cover the annual charges as well as payment of the entire project. According to the article, these conditions proved groundless the charges that the project was controlled by foreign interests, as the consortium would only earn normal profits on the goods and services furnished.

85. The article also reported that each consortium bidding for the contract had been required to have the technical and financial backing of a bank or a group of banks which would provide the necessary know-how on such questions as financing, interest rates, exchange problems, insurance, etc. z/ To date, no information is available on the exact financial backing of the South African led Zamco-Zambeze Consórcio Hidroeléctrico Lda. aa/ According to one report, half of the financing will be through export credits and the remainder from Barclays Bank of the United Kingdom, the Banque de Paris et des Pays-Bas, the Kreditanstalt für Wiederaufbau of the Federal Republic of Germany and the Bank of America of the United States. The Banque de Paris et des Pays-Bas is reported to have granted a loan of £31 million on the construction of the dam.

86. Among the Portuguese banks, the Banco Nacional Ultramarino is reported to have granted a loan of 500 million escudos to the Zamco consortium; its total loans in connexion with the Cabora Bassa project reportedly amounted to 1,000 million escudos at the end of September 1970.

Participation in the Cabora Bassa project

(a) Portugal and France

87. Several new firms have been awarded contracts in connexion with the Cabora Bassa project and some firms already involved have been awarded additional contracts. These include the Sociedades Reunidas de Fabricações Metálicas S.A.R.L. (SOREFAME), Profabril and Hidrotécnica Portuguesa, Lda.

88. SOREFAME, which is primarily engaged in ship building in Portugal and Angola, has been awarded a contract to supply flood gates and the copperdams. The amount of the contract is unknown. Although considered to be a Portuguese company, through Neyrpic Portuguesa, S.A., SOREFAME is, in fact, a subsidiary of Neyrpic, S.A. of France.

89. Profabril and Hidrotécnica Portuguesa, Lda. were jointly awarded a 70-million escudo contract in 1970 for the supervision of the Cabora Bassa project. Their new contract is described in paragraph 115 below. Profabril (Centro de Projectos Industriais) is reported to be a subsidiary of the Companhia União Fabril (CUF). There is no information on Hidrotécnica Portuguesa.

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z/ For a list of the consortiums which submitted bids see Official Records of the General Assembly Twenty-fourth Session, Supplement No. 23A (A/7623/Rev.1/Add.1), annex, appendix III, para. 166.

aa/ For a list of member companies in Zamco, see ibid., Twenty-fifth Session, Supplement No. 23A (A/8023/Rev.1/Add.1), annex, appendix III, para. 164.

(b) South Africa

90. It will be recalled that, in 1970, Italy had announced that it would withdraw its participation in the Cabora Bassa project. Portuguese spokesmen nevertheless maintained that the Societá Anonima Elettrificazione, S.p.A. (SAE) of Milan had not withdrawn. Later, even after the Italian Government had decided to withdraw export credit facilities from the SAE, there were reports that the company might still participate if it could obtain financial backing. In December 1970, a spokesman for the SAE said that the company had withdrawn completely and that there was no truth in reports to the effect that it had been seeking financial backing elsewhere. Soon after this announcement, a French source reported that SAE had withdrawn because the Banque de Paris et des Pays-Bas had refused a loan to Portugal for SAE. At the end of December, Transmission Lines Construction (TLC) of South Africa was reported to have replaced SAE in the Zamco consortium.

91. There is no information on the identity of TLC. In January 1971, the Portuguese news agency in Mozambique again denied that SAE had withdrawn and said that the Italian firm had, in fact, already begun work on the power line which would transmit power from Cabora Bassa to South Africa. According to this source, the South African firm mentioned was merely a subcontractor to SAE.

92. The Rand Daily Mail reported that the SAE contract had been taken over by TLC together with the Power Lines Company, both of South Africa. According to this source, TLC will be responsible for the high tension lines carrying power from the dam to the frontier and the Power Lines Company will be responsible for the lines inside South Africa.

93. Commenting on the South African assumption of the SAE contract by the companies, a Johannesburg radio broadcast editorial said that, as a result of the new development, South African firms were responsible for about two-thirds in terms of value of the contracts involved in the scheme ($US2,000 million out of a total of $US2,900 million), including the provision of 1,800 kilometres of power lines from the dam to the Apollo station near Pretoria where the power would be fed into the national grid. In due course, Lourenço Marques would be drawing its electricity from the South African grid. The same source reported that the South African Electricity Commission envisaged "an international electricity supply network stretching from Mozambique in the north to Cape Town in the south and including Lesotho and Swaziland". The Standard Bank of South Africa is reported to envisage the inclusion of Angola and Southern Rhodesia in the network within the next twenty years.

(c) United Kingdom

94. To date, five British concerns have been reported as involved in the Cabora Bassa project. Apart from Barclays Bank D.C.O., which has been mentioned since 1970, the four additional concerns referred to are Babcock and Wilcox, Guest Keen and Nettlefold (GKN), Imperial Chemical Industries (ICI) and United Transport Overseas.

(i) Babcock and Wilcox

95. This firm has recently established a subsidiary in Mozambique (see paragraphs 47-50 above) reportedly with a view to participating in the Cabora Bassa project.

(ii) Barclays Bank D.C.O.

96. In January 1971, speaking at the annual meeting, Sir Frederic Seebohm, Chairman of the bank, said that the bank had been taken as a symbol for attack because of its presence in southern Africa and "its so-called support for the Cabora Bassa Dam in Mozambique". He said that Barclays was not involved in "the consortium of continental banks" providing some of the long-term finance for the project. The only connexion the bank had traced was that "one of its subcontractors for part of the early work" had been helped with extra finance by one of the bank's South African branches.

97. An advertisement of the bank, published in a recent issue of the Jornal Português de Economia e Finanças read: "Barclays Bank, DCO, 54 Lombard Street, Londres. Presença mantida em Cabora Bassa" (Presence at Cabora Bassa continued).

(iii) Guest, Keen and Nettlefold (GKN)

98. This British engineering firm is reported to have set up a subsidiary in Mozambique in 1970, with the expectation of participating in the Cabora Bassa project.

99. GKN is involved in automotive, building and industrial equipment. Its total sales in 1969 amounted to $US1,228.1 million; its assets were $US1,022.7 million; and its net income was $US42.6 million. The company ranks forty-third in among the 200 largest industrials outside the United States. bb/

(iv) Imperial Chemical Industries (ICI)

100. This British company has a 42 per cent interest in African Explosives and Chemical Industries of South Africa, which is one of the two main suppliers of explosives for the dam. ICI is principally engaged in the production of acids, alkalies, coated fabrics, drugs, dyestuffs, explosives, fertilizers, synthetic fibres, paints, pesticides, petroleum chemicals and plastics. It has subsidiaries and affiliates in various countries, including the Federal Republic of Germany, Belgium, the Netherlands, South Africa and the United States. In 1969, its total sales amounted to $US3,252.3 million; its assets were $US4,676.2 million; and its net profit was $US231.4 million. The company ranks sixth among the 200 largest industrials outside the United States. cc/

(v) United Transport Overseas

101. This company is reported to have a £600,000 contract for the transport of 225,000 tons of cement from Beira to the dam site and for the transport of electrical and mechanical equipment from South Africa, as well as supplies for the

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bb/ "The Fortune Directory: The 200 Largest Industrials Outside the United States", Fortune, June 1970.

cc/ Ibid.

town of Songo (see below). United Transport Overseas is a wholly owned subsidiary of United Transport, Ltd. of the United Kingdom. Subsidiaries of United Transport, Ltd. in Africa include thirty-four in South Africa and fourteen in Southern Rhodesia. One of these subsidiaries is United Transport Holdings of South Africa (UTH), in which United Transport Overseas has a 60 per cent interest; this subsidiary has also been cited as the holder of a contract in connexion with Cabora Bassa, involving an outlay of £390,000 (3 per cent of the £130 million scheme as a whole), for transport entirely within Mozambique.

(d) United States

102. In January 1971, five helicopters built by Bell Helicopter of Fort Worth, United States, were delivered to the Zambezi Development Office (also referred to in the press as the Zambesi Valley Authority). The five helicopters, which cost $US616,400, are to be used for logistic support of the work of the Zambezi Development Office. The helicopters were assembled in Beira by Portuguese technicians. Further deliveries were expected soon.

103. Bell Helicopter is involved in the construction of military and commercial helicopters and vertical lift aircraft, systems integration (target detection, weapons, navigation, agricultural and other commercial), aeronautical and electronic research. The company is a subsidiary of Textron Inc. (Delaware), a diversified manufacturing enterprise with operations in four basic product groups: aerospace products, consumer products, industrial products and metal products. Bell Helicopter is part of Textron's aerospace products group.

Construction of the dam

104. According to an article published in the Mozambique press in November 1970, the schedule of work in the Cabora Bassa project is as follows: completion of the two provisional diversion tunnels by November 1971; excavation of the dam foundation to begin on 1 April 1972; concrete work on the dam to begin on 1 July 1972; completion of the dam and flooding of the dam to begin 15 July 1974.

105. The work on the right bank diversion tunnel was expected to be completed in February 1971 and the left bank tunnel, which had not yet been started in January that year, was not expected to be completed until October 1971. The right bank tunnel will later be used to feed the turbines of the underground power plant. Work on the two copperdams is to be started as soon as the diversion tunnels are completed. These provisional dams will make the river flow towards the diversion tunnels so that the part of the river bed to be used for the dam itself can be dried out. Ancillary works related to the dam construction, including the road from Moatize to Cabora Bassa, are reported to be progressing satisfactorily.

Songo township and Cabora Bassa

106. As reported previously, dd/ a new township is being established on the Songo plateau. In October 1970, rows of prefabricated houses were being installed.

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dd/ Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23A (A/8023/Rev.1/Add.1), appendix, annex II, para. 79.

Two thousand Africans and 1,300 Europeans will live in Songo. In September 1970, a branch of the Banco Nacional Ultramarino was established at Songo and in October there were already several schools operating for Portuguese, South African, French and German personnel working on the dam. The Government has authorized the establishment of a new primary school at Cabora Bassa.

107. As a result of the new activities in the Cabora Bassa region, the Governor-General approved an increase of twenty-six persons in the administrative staff in the circunscrição. ee/ Six of the posts have been transferred from the adjacent Magoé circunscrição and twenty posts are new. A civil registry office has been established at Cabora Bassa for the whole administrative area and a new post and telegraph office has been opened. In addition, the Songo airfield is being extended at a cost of 14 million escudos. Bids for this work were tendered in October 1970 by four Portuguese firms: Técnica de Construção Lda., Companhia de Destroncas e Aluguer de Máquinas (CODAM), Manuel da Silva Oliveira and Construtora Tâmega. Except for Manuel da Silva Oliveira, the other three firms already have contracts for work connected with the Cabora Bassa. ff/

Resettlement of the African population

108. A total of some 24,000 Africans living along the north and south banks of the Zambezi River in the region of the dam site are to be resettled. gg/ Some thirty areas have been selected for this purpose by the Zambezi Settlement Bureau which is in charge of the moving. According to the plans some 8,000 persons are to be moved each year. By December 1970, 156 hectares of land had been cleared and graded in the Chipera region where 165 families (735 persons) to whom land had been distributed had begun preparation for planting. Both itinerant and fixed medical assistance had been organized for these families.

109. In February 1971, with the start of the new agricultural year, the government began a campaign to acquaint the population at Mucangadezi with new techniques through experimental stations for the distribution of seeds. The Africans in this area are among those who will have to be moved, possibly to an area where different crops will be more suitable.

Transport and communications

110. Transport problems are reported to have developed in connexion with the Cabora Bassa project. Although there are through railroad facilities from Beira through Vila do Dondo to Doña Ana and from there along the Tete line to Moatize, the huge quantity of goods involved has created delays with a congestion accumulating at Moatize, beyond which only light trucks can be used to cross the Zambezi until the new bridge is built. In some cases, it has reportedly taken 60 days to move goods from Beira to Cabora Bassa. A number of new trucking concerns have been organized and are reported to be able to make the distance in only seven days.

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ee/ This is an administrative division. For a description see ibid., Supplement No. 23 (A/8023/Rev.1), chap. VII, annex I.C, paras. 17 and 18.

ff/ Ibid., Supplement No. 23A (A/8023/Rev.1/Add.1), appendix, annex III.

gg/ A/8423/Add.4, annex I.C, para. 71.

111. The telecommunications of Songo and Cabora Bassa are being improved. In August 1970, a 20-million escudo contract was awarded for the third stage in the completion of the telecommunications at Songo which will service Cabora Bassa. In addition, the telephone network linking the town of Tete and Cabora Bassa with the rest of the Territory is being improved at a cost of some 80 million escudos.

Development of the Zambezi Valley and related research

112. A network of government bodies are involved in the development of the Zambezi Valley. The principal authority is the Gabinete do Plano do Zambezi, the Zambezi Development Office, which was created in 1970 and which has responsibility for supervising the Cabora Bassa project, as well as studies in connexion with the Zambezi Valley master plan. In addition, there is a Territorial Co-ordinating Commission of the Zambezi Development Office through which the territorial Government is linked with the Cabora Bassa project. The Governor-General presides over this Commission. A third body is the Commissão Orientadora da Investigação Científica para Cabora Bassa. The Zambezi Development Office, the University of Lourenço Marques and the territorial Government are represented on the Scientific Commission which is presided over by the president of the Junta da Investigações do Ultramar. Also involved is the Instituto de Investigação Científica de Moçambique (Mozambique Scientific Research Institute).

(a) Zambezi Development Office

113. The Zambezi Development Office is composed of a Director Council, a Technical Council, an Administrative Committee and co-ordinating committees. The Office which is intended to provide both central and regional services, has a central Co-ordinating Committee to ensure the support and co-operation of government bodies in Portugal in connexion with the economic and social development of the Zambezi region. There is also a Co-ordinating Committee at the territorial level and others at the district level.

114. In July 1970, the Government approved a 271-million escudo budget for the year for Zambezi Development Office. Of this sum, 20 million escudos was to be from the Territory's budgetary surplus and 250 million escudos was to be financed from the 500 million escudos Zamco was required to place at the disposal of the Portuguese Government under the terms of the contract (see paragraph 86 above). About one third of the budget was envisaged for the purchase of materials for buildings, roads, bridges and other structures; some 47 million escudos for salaries; and another 47 million escudos for technical services, including 20.6 million escudos for "external collaboration" in connexion with the supervision of the Cabora Bassa project.

115. In September 1970, the Office was authorized to contract the services of Hidrotécnica Portuguesa, Lda. and Profabril to control the quality of the work and materials furnished for the dam. The amount of the contract was not to exceed 70 million escudos. The two concerns are to be associated in this task. Their responsibility will include not only the dam construction and the ancillary works but also the access roads, the infrastructure, the high tension lines and other installations. The contract is expected to involve five years of work and several dozens of engineers and technical personnel.

(b) Territorial Co-ordinating Commission

116. At its second plenary session in October 1970, the Co-ordinating Commission discussed the need for scientific research in the area that will be inundated by the Cabora Bassa dam and the problems arising from the effects of the ecological changes which might have repercussions all the way to the mouth of the Zambezi River. It reviewed data on various areas identified as forming part of the Zambesi River basin with a view to determining priorities for future activities. It also discussed the Territory's need of electrical energy for the dam and problems of transportation and land concession in the areas reserved for the project.

(c) Scientific problems

117. The Scientific Commission has been most concerned with the prospects of the ecological changes arising from the inundation of large areas of land by the new dam which will affect plant and animal life and the bilharziases snail. The Commission is concerned with both the positive and negative aspects and hopes to be able to minimize or neutralize some of the adverse effects.

118. The Scientific Research Institute has been entrusted with the hydro-biological studies connected with the dam. Special funds are reported to have been allocated for the necessary research work.

Defence of Cabora Bassa

119. In the past year, Cabora Bassa has become, as one article said "more than a dam". To the Governor-General, to speak of Mozambique is to speak of Cabora Bassa. To both those for and against the dam, its significance lies beyond the physical effects. The Cabora Bassa has in fact become a symbol of the black/white problem in southern Africa: its success would be interpreted by Portugal as a vindication of its multiracial policy but as a triumph of white supremacy by the liberation movements and many of the African States.

(a) Information campaign

120. As reported elsewhere, since mid-1970, Portugal has mounted a new information campaign concerning its overseas Territories and the Cabora Bassa in particular. hh/ Since most of the electric power will be sold to South Africa, Portuguese sources have made a point of emphasizing that the dam is only part of the over-all Zambesi Valley Development Plan. According to the Portuguese Minister for Foreign Affairs, this plan involves the "utilization of resources and economic and social development that will benefit an extensive area of the Province of Mozambique and will determine the economic and social promotion and improved living standards for many thousands of Africans".

121. To provide more information on this long-term goal, in 1970 the Portuguese Government distributed English, French and German copies of a pamphlet entitled

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hh/ See *ibid.*, annex I.A., paras. 100 ff.

"The Development Plan of the Zambezi Valley', subtitled 'Cabora Bassa". The opening sentence reads: "The Cabora Bassa undertaking should not be viewed in isolation as a mere system of production and transportation of electric power: it should be considered as a basic infrastructure of a vaster and more ambitious plan, the General Plan for the Development of the Zambezi Valley." The text of the pamphlet was reproduced in some English language publications, including Southern Africa. A Portuguese version of the Development Plan of the Zambezi Valley was publisned in the Diário, Lourenço Marques, in June 1970. The following summary is from the Portuguese text.

122. As described in the Development Plan, the part of the Zambezi River Valley in Mozambique includes some 220,000 square kilometres, or about one quarter of the total area of Mozambique. This area, which is two and a half times the size of Portugal has one and a half million inhabitants. A preliminary resources study covering an area of 5.5 million hectares showed that 2.5 million hectares could be developed for agriculture, including 1.5 million hectares for "intensive settlement", and 300,000 hectares that could be irrigated. There were 200,000 hectares of valuable forest which could be further developed, and another 200,000 hectares available for new forests of exotic woods. The area surveyed contained over 200,000 head of livestock which indicated potential for future expansion of livestock farming for meat and dairy products.

123. The Plan envisages the following lines of development: (a) development of the African communities with a view to their economic and social progress; (b) guided occupation of new areas of land for agricultural production and the distribution of farms of a suitable size to immigrants as well as local inhabitants, in order to create stable and progressive population nuclei; (c) extension of the forest areas and development of livestock, taking into account the existing traditional agricultural and livestock activities; (d) intensive exploitation of the mineral resources which should be processed locally whenever possible; (e) creation of the necessary infrastructure, including sources of energy, means of transport and commercial centres, and (f) creation of a network of health, education and other social services in the development zones. To implement the Plan it was envisaged that both government and the private sector would have to be involved. Mining and transforming industries especially would have to depend on the private sector.

124. As regards the immediate effects of the Cabora Bassa project, the Portuguese Minister for Foreign Affairs said in 1970 that those with "a beneficent influence" included: (a) a very marked reduction in the intensity and frequency of the floods that at present hamper local agriculture; (b) the possibility of river shipping, (c) the availability of water to irrigate extensive areas. It may be noted in this connexion that, heretofore, very few Africans have been included in areas developed for irrigated farming. ii/ The English version of the pamphlet did not mention irrigation but included as benefits from the dam river shipping on the dam and over a distance of 300 kilometres as far as the frontier with adjacent countries, allowing easier outflow of products from the hinterland, and fishing in the dam zone.

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ii/ For a general review of the settlement schemes prior to 1965, see Official Records of the General Assembly, Twentieth Session, Annexes, addendum to agenda item 23 (A/6000/Rev.1) chap. V, appendix, annex II, paras. 258 ff.

125. The Portuguese Government sources have been particularly emphatic in denying that the plan for the development of the Zambezi Valley includes the settlement of "one million white settlers." At his press conference in June 1970, the Portuguese Minister for Foreign Affairs referred to this as a "malicious rumour circulating as part of the campaign against Cabora Bassa". He said "It is incredible that such a rumour should gain credence in certain circles. In the first place, the number itself is absurd. It would be quite outside the immediate physical resources of air or sea transportation, not to mention the economic, social and financial aspects involved." Yet, only two weeks before this press conference, General Venâncio Deslandes, Chief of Staff of the Portuguese Armed Forces, had declared in Mozambique, in an interview published in Notícias, Lourenço Marques, that it was already several years since he had written in a report that the overseas Territories needed 1 million Europeans in the near future to ensure their complete security and rapid progress.

126. In an interview published in Estado de S. Paulo, the Portuguese Prime Minister, Mr. Marcello Caetano, pointed out that Portugal, with a population of 9 million inhabitants, could not possibly send 1 million settlers to the Zambezi Valley. He said that the "fantasy must have resulted from some technical study which asserted that once the region was developed, it would be possible to establish there 1 million developed farmers and workers in complementary industries." He said that, whatever the origin, it had never been Portugal's policy to expel the native inhabitants from the region, nor did Portugal have millions of settlers of whom a million could be settled in a single river valley.

(b) Financial and commercial support

127. Although the Italian and Swedish firms in the Zamco consortium have withdrawn, foreign interests from France, the Federal Republic of Germany, South Africa, the United Kingdom and the United States continue to support the construction of the dam. Explaining his Government's position, M. Maurice Schumann, the Minister for Foreign Affairs, said, in an interview published in Jeune Afrique in January 1971, that "French participation" consisted of a number of French private companies in the international consortium to which the bid was awarded. All the companies involved had obtained an export credit guarantee. This guarantee was purely economic and was not the subject of a general agreement between the French and Portuguese Governments. He said it was not possible for the French Government to withdraw from its guarantee. Moreover, it did not seem to him to be justifiable because "the construction of the Cabora Bassa, a purely economic undertaking, would contribute very effectively to raising the standard of living in the region. The first to benefit from it would be the Africans living there." Although it had been said that the Cabora Bassa would block Mozambique's internal evolution, in Mr. Schumann's opinion, economic development never hindered political evolution.

128. The Government of the Federal Republic of Germany has also decided not to withdraw its credit guarantees to the German firms involved in the Cabora Bassa project. An official spokesman said last year that the Government had decided in 1967 that the project "was in the interests of German industry, as well as being likely to benefit the African people of the area." There had been no African protests at the time and the Government had concluded that there was not sufficient reason to change its attitude. The Government is reported to have made the guarantees through the Hermes Insurance Company.

129. The Swiss Government's position regarding Cabora Bassa was made known last year in reply to a question raised by one of the Swiss deputies. The Government said that it would consider in the usual manner requests for export credit guarantees presented by the Swiss firms collaborating in the construction of the dam in Mozambique. There were, however, no Swiss regulations which would permit the Government to prevent any national firm from participating in any public works in foreign countries. The only Swiss firm known to be connected with the Cabora Bassa project is Brown Boveri and Cie., whose subsidiary in the Federal Republic of Germany is a member of the Zamco Consortium.

130. The extent to which the illegal régime in Southern Rhodesia or private firms in that country are participating in the Cabora Bassa project is unknown. Mr. Ian Smith is reported to share the view that the Cabora Bassa project will bring great benefits, not only to Mozambique but also to everyone in southern Africa, and to Southern Rhodesia.

131. There has been no change in the position of the United Kingdom Government as explained by the Minister of State for Foreign and Commonwealth Relations on 15 December 1969. 11/ In December 1970, the Chancellor of the Exchequer replied in the negative to the question as to whether he would take "all measures at his disposal" to prevent financial participation in the South African Zamco consortium for the construction of the Cabora Bassa dam.

132. As reported above, United Transport Company and Imperial Chemical Industries (ICI) both accepted contracts in connexion with the dam construction. In May 1971, the Chairman of the Board (ICI) said at the annual meeting that his company did not support any particular political régime in the countries where it had activities. The company's objective was to conduct business wherever possible.

133. As far as is known there is no direct participation by companies of the United States in the construction of the dam. The exact role, if any, of the Bank of America in providing financial backing for Zamco is unknown. In March 1971, there was a press report that the General Electric Company was pressing the Export-Import Bank to provide $US55 million in financing for a transformer system to be supplied for the Cabora Bassa dam. Since then General Electric is reported to have withdrawn its request for the loan. However, the General Electric Company is reported to own shares in the Allgemeine Elektricitats Gesellschaft AEG-Telefunken of the Federal Republic of Germany, which is one of the partners of the Zamco Consortium.

134. In April 1971, the Portuguese Government awarded a contract of 320 million escudos to Companhia Industrial de Cordoarias Texteis e Metálicas Quintas e Quintas, S.A.R.L. for the supply of electrical conductors and aluminium and steel cables for the Cabora Bassa project. In turn, Quintas e Quintas is reported to have awarded a contract to two Canadian companies, Alcan Aluminium Ltd., and the Reynolds Aluminium Co. of Canada, to furnish the aluminium supplies. Alcan has subsidiaries and affiliates in Latin America, Europe, Asia, Africa and the South Pacific. The Reynolds Aluminium Co. of Canada Ltd., is indirectly controlled by the Reynolds Metal Co. of the United States which owns 64 per cent of its stock.

11/ Ibid., Twenty-fifth Session, Supplement No. 23A (A/8023/Rev.1/Add.1), annex, appendix II, para. 185.

(c) Military and security measures

135. As a result of attacks by the forces of the Frente de Libertação de Moçambique (FRELIMO), during 1970, Portuguese forces defending the dam were increased, a new defence plan was worked out and some new strategic hamlets (*aldeamentos*) were created. kk/ At Songo an African militia has been created with responsibility for the area. The number of Public Security Police for the region has also been increased and new police posts have been established. In spite of official denials, there have been a number of reports that South African troops are stationed in the area to help defend the dam. In May 1971, the Tete District was designated a special area under direct military administration in accordance with Decree Law 182/70 of 28 April 1970. This makes the military authority responsible for the civil administration.

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kk/ See A/8423/Add.4, annex I.C, paras. 49 and 70-75.

Table 6

Mozambique: Companies awarded contracts or subcontracts in 1970 and 1971 for work related to Cabora Bassa project

Nationality and name of company	Value and/or description of contract
France	
Sociedades Reunidas de Fabricações Metálicas (SOREFAME) a/	Supply of floodgates and copperdams
Portugal	
Centro de Projetos Industriais (PROFABRIL) Hidrotécnica Portuguesa	Joint contract to supervise quality of work and materials furnished in connexion with dam construction, access roads, the infrastructure, high tension lines and other installations, 70 million escudos
South Africa	
Power Lines Company (PLC)	Construction of high tension lines inside South Africa
Transmission Lines Company (LTC)	Construction of high tension lines carrying power from the dam to the frontier. Joint contract, $US340 million
United Kingdom	
Imperial Chemical Industries (ICI)	Supply of explosives to the dam
United Transport Overseas	Transport of cement, electrical and mechanical equipment to Cabora Bassa and supplies to Songo township. £600,000 capital outlay
United States of America	
Bell Helicopter (Fort Worth, Texas)	Supply of helicopters to Zambezi Development Office. $US616,400.

a/ Although registered as a Portuguese company, SOREFAME is a subsidiary of Neyrpic, S.A. of France through Neyrpic Portuguesa, S.A.

ANNEX

MOZAMBIQUE TRADE STATISTICS

Table 1

Mozambique: Principal trading partners, 1965-1969

A. Total imports (million escudos)

Country	1965		1966		1967		1968		1969	
	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage
Total imports	4 981.0	-	5 971.4	-	5 726.8	-	6 740.1	-	7 491.0	-
Portugal	1 720.2	34.5	1 840.9	30.8	1 809.9	31.6	2 223.5	33.0	2 337.5	31.2
South Africa	524.2	10.5	627.1	10.5	645.0	11.3	793.3	11.8	1 127.2	15.1
United Kingdom	524,7	10.5	652.6	10.9	549.3	9.6	651.1	9.7	608.0	8.2
Federal Republic of Germany	385.1	7.7	386.0	6.5	441.4	7.7	510.5	7.6	638.8	8.4
United States	206.5	4.2	444.9	7.5	249.2	4.3	337.5	5.0	488.9	6.5
Japan	187.3	3.8	205.4	3.4	240.6	4.2	354.0	5.3	396.3	5.4
Iraq	243.7	4.9	321.3	5.4	302.5	5.3	376.6	5.6	378.0	5.0
France	133.2	2.7	148.4	2.5	186.2	3.2	224.3	3.3	259.8	3.5
Southern Rhodesia	86.0	1.7	168.6	2.8	128.2	2.2	-	-	-	-

Table 1 (continued)

B. Total exports (million escudos)

Country	1965		1966		1967		1968		1969	
	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage
Total exports	3 107.1	-	3 216.3	-	3,501.5	-	4 420.2	-	4 081.0	-
Portugal	1 151.1	37.0	1 232.0	38.3	1 328.6	37.9	1 595.9	36.1	1 679.1	41.1
South Africa	359.6	11.6	359.5	11.2	472.9	13.5	456.5	10.3	419.6	10.4
United Kingdom	141.6	4.6	183.7	5.7	238.5	6.8	268.5	6.1	196.7	4.8
Federal Republic of Germany	110.8	3.6	72.1	2.2	82.9	2.4	95.1	2.1	128.0	3.0
United States	147.4	4.7	206.2	6.4	264.3	7.6	461.7	10.5	400.9	9.9
Iraq	-	-	1.5	-	-	-	-	-	-	-
Japan	12.0	0.4	7.3	0.2	15.7	0.4	9.5	0.2	34.2	0.8
France	43.8	1.4	38.9	1.2	43.5	1.2	69.6	1.6	79.6	2.0
Southern Rhodesia	93.4	3.0	77.6	2.4	109.8	3.2	-	-	-	-

Table 1 (continued)

C. Trade with Portugal

(million escudos)

(a) Imports

Product	1965	1966	1967	1968	1969
Total	1 720.2	1 840.9	1 809.9	2 223.5	2 337.5
Cotton fabrics	-	-	281.1	300.1	313.2
Wine	240.1	274.8	233.1	269.5	264.4
Cotton wearing apparel and wearing apparel accessories	-	-	-	-	159.8
Motors, machinery, etc.	-	-	-	92.3	115.9
Generators, etc.	0.2	2.0	12.9	93.9	105.5

(b) Exports

Product	1965	1966	1967	1968	1969
Total	1 151.1	1 232.0	1 328.6	1 595.9	1 679.1
Cotton	553.7	491.9	638.5	635.6	790.1
Sugar	289.4	463.8	319.8	399.8	542.1
Vegetable oils	82.2	72.1	96.8	116.2	73.5
Copra	34.7	42.8	39.2	80.1	47.5
Petroleum products	37.9	42.9	47.0	55.2	35.1

Table 1 (continued)

D. Trade with South Africa

(million escudos)

(a) Imports

Product	1965	1966	1967	1968	1969
Total	524.2	627.1	645.0	793.3	1 127.2
Motors, machinery, etc.	-	-	-	117.3	193.3
Cast iron, iron and steel	16.9	24.9	16.1	53.0	88.1
Sheet metal (iron and steel)	-	-	29.7	21.2	61.5
Peanuts	-	-	-	-	54.6
Tractors, motor vehicles, etc.	15.4	16.8	20.2	16.7	44.2

(b) Exports

Product	1965	1966	1967	1968	1969
Total	359.6	359.5	472.9	456.5	419.6
Petroleum products	139.6	160.0	205.2	195.0	152.1
Wood	121.1	107.0	96.0	111.3	140.3
Fresh bananas	11.0	6.7	8.1	6.2	26.6
Petroleum asphalt and coke	-	-	-	-	17.9
Shelled cashew nuts	10.4	9.5	10.9	15.2	13.0

Table 1 (continued)

E. Trade with the United Kingdom

(million escudos)

(a) Imports

Product	1965	1966	1967	1968	1969
Total	524.7	652.6	549.3	651.1	608.0
Tractors and vehicles	186.8	189.1	178.9	211.5	267.3
Motors, machinery, etc.	-	-	-	128.3	107.2
Generators	3.5	17.8	6.4	39.7	37.7
Pharmaceuticals	-	-	13.3	12.1	13.5
Spirits	-	-	12.0	15.5	11.0

(b) Exports

Product	1965	1966	1967	1968	1969
Total	141.6	183.7	238.5	268.5	196.7
Tea	119.8	161.8	193.9	215.3	166.2
Cotton waste	2.1	2.7	5.7	5.2	6.3
Oil seeds	2.1	2.7	5.7	6.2	6.3
Metal ores	3.5	7.8	22.1	25.0	5.4
Vegetable oils	-	-	-	-	4.7

Table 1 (continued)

F. Trade with the Federal Republic of Germany

(million escudos)

(a) Imports

Product	1965	1966	1967	1968	1969
Total	385.1	336.0	441.4	510.5	638.8
Tractors, vehicles, etc.	91.7	111.2	101.9	123.4	182.6
Motors, machinery, etc.	-	-	-	126.6	108.1
Wheat	-	-	-	-	53.0
Generators, etc.	3.7	12.3	7.0	37.0	43.0
Fertilizers	-	-	-	-	15.5

(b) Exports

Product	1965	1966	1967	1968	1969
Total	110.8	72.1	82.9	95.1	128.0
Vegetable oils	32.1	12.1	26.5	29.6	49.9
Sisal	28.8	14.1	11.0	11.6	14.8
Wood for flooring	13.2	8.3	5.2	11.9	12.1
Oil seeds	8.5	8.2	0.8	0.6	12.1
Tea	4.7	6.0	1.0	1.9	9.3

Table 1 (continued)

G. Trade with the United States

(million escudos)

(a) Imports

Product	1965	1966	1967	1968	1969
Total	206.5	444.9	249.2	337.5	488.9
Motors, machinery, etc.	-	-	-	103.6	136.6
Locomotives, etc.	-	-	-	-	93.9
Tractors, vehicles, etc.	42.7	37.9	28.8	30.5	74.8
Generators, etc.	0.7	2.9	1.8	34.3	20.4
Oils obtained from the distillation of petroleum	7.8	8.2	6.9	7.5	14.6

(b) Exports

Product	1965	1966	1967	1968	1969
Total	147.4	206.2	264.8	461.7	400.9
Shelled cashew nuts	79.1	128.9	180.3	276.0	298.7
Sisal cordage	-	-	-	-	28.6
Crustaceans, molluscs and shellfish	-	-	-	-	18.4
Tea	18.3	24.0	18.0	23.4	17.1
Metal ores	18.5	17.0	25.6	24.0	16.0

Table 1 (continued)

H. Trade with Japan

(million escudos)

(a) Imports

Product	1965	1966	1967	1968	1969
Total	187.3	205.4	240.6	354.0	396.3
Tractors, vehicles, etc.	41.6	44.8	52.9	76.3	133.8
Textiles	16.7	25.2	35.4	61.5	38.3
Generators	0.1	0.2	6.1	28.7	30.7
Iron or steel pipes	-	-	5.4	15.4	29.0
Motors, machinery etc.	2.6	4.3	3.4	10.9	17.7

(b) Exports

Product	1965	1966	1967	1968	1969
Total	12.0	7.3	15.7	9.5	34.2
Coal	-	-	-	-	8.3
Shelled cashew nuts	-	0.2	1.6	1.6	8.0
Undressed timber	-	-	-	-	3.4
Vegetable oils	-	-	-	-	2.6

Table 1 (continued)

I. Trade with Iraq

(million escudos)

Product	1965	1966	1967	1968	1969
Imports					
Total	243.7	321.3	302.5	376.6	378.0
Crude oil from petroleum or shale	243.6	321.1	302.3	376.0	377.8
Exports	-	1.5	-	-	-

Table 1 (continued)

J. Trade with France

(million escudos)

(a) Imports

Product	1965	1966	1967	1968	1969
Total	133.2	148.4	186.2	224.3	259.8
Tractors, vehicles, etc.	46.1	43.7	47.3	62.5	95.4
Motors, machinery, etc.	3.4	3.7	2.7	22.0	48.1
Wheat	-	-	-	64.0	43.8
Pharmaceuticals	-	-	4.9	9.7	8.8
Pneumatic tyres and inner tubes	4.5	5.2	2.7	2.2	3.0

(b) Exports

Product	1965	1966	1967	1968	1969
Total	43.8	38.9	43.5	69.6	79.6
Tobacco	-	-	7.6	14.4	22.9
Copra	17.5	6.4	16.8	32.4	20.8
Sisal	18.1	20.9	9.3	10.3	17.7
Shelled cashew nuts	1.4	1.8	1.6	3.1	8.6

Table 1 (continued)

K. Trade with Southern Rhodesia

(million escudos)

Product	1965	1966	1967	1968	1969
Imports	-	168.6	128.2	-	-
Exports					
Total	-	77.6	109.8	-	-
Fresh bananas	5.5	3.6	4.4	-	-
Wood for flooring	3.9	2.2	3.1	-	-

Source: Portugal. Anuário Estatístico, Volume II, 1965-1967;
Mozambique: Boletim Mensal de Estatística, April 1969 and March 1970.

Table 2

Mozambique: Principal exports and main destinations, 1965-1969

A. Principal exports

(thousand tons and million escudos)

Product	1965		1966		1967		1968		1969	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Total exports	1,151.9	3,107.1	1,230.4	3,216.3	1,289.6	3,501.5	1,818.7	4,420.2	1,698.0	4.081.0
Cotton in bulk	31.2	553.7	28.2	491.7	38.2	638.5	38.9	635.6	47.7	794.5
Sugar	94.9	291.8	147.1	466.1	109.5	329.1	131.8	411.3	170.1	547.7
Unshelled cashew nuts	492.4	98.7	77.2	436.5	56.2	308.6	132.9	697.4	68.5	399.6
Shelled cashew nuts	4.0	110.7	5.7	161.1	8.1	222.8	13.4	329.7	12.8	380.4
Petroleum products	412.9	243.7	476.7	277.3	572.2	368.4	556.3	215.7	467.3	285.6
Tea	10.1	205.5	13.0	254.0	14.4	259.4	14.1	295.8	15.6	234.0
Copra	28.6	168.0	33.9	168.6	42.9	191.4	46.8	277.1	41.1	198.1
Vegetable oils	15.5	151.5	10.1	105.4	16.3	157.2	16.9	189.1	13.6	125.6
Sisal	31.4	174.9	26.7	128.9	23.2	100.2	25.1	91.4	22.7	89.1

Table 2 (continued)

B. Cotton in bulk

(thousand tons and million escudos)

	Exports		Main destinations (value)		
Year	Volume	Value	Portugal	Belgium and Luxembourg	Italy
1965	31.3	553.7	553.7	-	-
1966	28.2	491.9	491.9	-	-
1967	38.2	638.5	638.5	-	-
1968	38.9	635.6	635.6	-	-
1969	47.7	794.5	790.1	3.5	0.9

C. Sugar

Year	Volume	Value	Portugal	Angola	Timor	Zambia
1965	94.9	291.8	289.4	-	1.8	-
1966	147.1	466.1	463.8	-	2.1	-
1967	109.5	329.1	319.8	-	2.2	6.9
1968	131.8	411.3	399.8	8.6	2.6	-
1969	170.1	547.7	542.1	-	5.4	-

Table 2 (continued)

D. Unshelled cashew nuts

(thousand tons and million escudos)

Year	Exports: Volume	Exports: Value	Main destinations (value): Portugal	India	Italy	Other
1965	492.4	98.7	40.9	450.7	0.8	-
1966	77.2	436.5	-	435.9	0.5	
1967	56.2	308.6			1.0	307.5
1968	132.9	697.4			0.5	694.6
1969	68.5	399.6				399.4

E. Shelled cashew nuts

Year	Volume	Value	United States	South Africa	Federal Republic of Germany	Australia	Netherlands
1965	4.0	110.7	79.1	10.4	8.6	6.3	0.1
1966	5.7	161.1	128.9	9.5	4.5	7.4	3.0
1967	8.1	222.8	180.3	10.9	9.0	4.7	6.3
1968	13.4	329.7	276.0	15.2	11.1	6.8	6.8
1969	12.8	380.4	298.7	13.0	8.5	1.7	6.4

Table 2 (continued)

F. Copra

(thousand tons and million escudos)

	Exports		Main destinations (value)						
Year	Volume	Value	Portugal	Spain	Denmark	France	Norway	Israel	Italy
1965	28.6	168.0	34.7	43.2	5.3	17.5	23.7	-	-
1966	33.9	168.6	42.8	43.7	2.3	6.4	21.9	-	-
1967	42.9	191.4	39.2	55.4	12.7	16.8	21.5	-	-
1968	46.8	277.1	80.1	59.9	38.7	32.4	30.9	-	-
1969	41.1	198.1	47.4	62.3	0.9	20.8	1.4	22.7	39.0

G. Vegetable oils

			Portugal	Federal Republic of Germany	South Africa	Zambia	Netherlands
1965	15.5	151.5	82.2	32.1	14.0	0.5	-
1966	10.1	105.4	72.1	12.1	12.4	1.7	-
1967	16.3	157.2	96.8	26.5	17.2	3.5	4.7
1968	16.9	189.1	116.2	29.6	30.5	5.4	5.5
1969	13.6	125.6	71.5	49.7	2.6	-	-

Table 2 (continued)

H. Petroleum products

(thousand tons and million escudos)

	Exports		Main destinations (value)			
Year	Volume	Value	Portugal	South Africa	Southern Rhodesia	Swaziland
1965	412.9	243.7	37.9	139.6	4.4	-
1966	476.7	277.3	42.9	160.0	7.5	-
1967	572.2	368.4	47.0	205.2	31.9	-
1968	556.3	215.7	55.2	195.0		-
1969	467.3	285.6	35.1	152.1	-	8.9

I. Tea

			Portugal	United Kingdom	Netherlands	United States	Canada
1965	10.1	205.5	4.1	119.8	12.5	18.3	7.1
1966	13.0	254.0	4.3	161.8	11.8	24.0	10.3
1967	14.4	259.4	5.2	193.9	18.6	18.0	6.8
1968	14.1	295.8	4.5	215.3	27.8	23.4	9.3
1969	15.6	234.0	5.9	166.2	8.1	17.1	7.7

Table 2 (continued)

J. Sisal

Year	Exports Volume	Exports Value	Portugal	Netherlands	Federal Republic of Germany	France	South Africa
1965	31.4	174.9	32.7	32.8	28.8	18.1	13.1
1966	26.7	128.9	14.1	38.4	14.1	20.9	3.9
1967	23.2	100.0	26.8	16.7	11.0	9.3	20.9
1968	25.1	91.4	32.3	17.8	11.6	10.3	9.6
1969	22.7	89.1	15.9	16.3	14.8	17.7	2.5

Source: Portugal. *Anuário Estatístico*, Volume II, 1965-1967; Mozambique: *Boletim Mensal de Estatística*, April 1969 and March 1970.

APPENDIX III

SOUTHERN RHODESIA

CONTENTS

INTRODUCTION

1. Information on the economy of the Territory is outlined in previous working papers and five special studies prepared by the Secretariat for Sub-Committee I. a/ Further information concerning the extensive mandatory economic and financial sanctions imposed on Southern Rhodesia by the Security Council is contained in the reports of the Security Council Committee established in pursuance of its resolution 253 (1968) of 29 May 1968. b/ Additional information on recent developments in the Territory is contained in the latest secretariat working paper on Southern Rhodesia c/ for the current session of the Special Committee.

2. Since the illegal declaration of independence, most of the pertinent information on the state of the economy and the activities of foreign economic interests have been classified as "economic secrets" to protect the Territory against the impact of international sanctions. Consequently, the activities of foreign economic interests operating in the Territory are, to a large extent, protected against public scrutiny. However, information of a general nature provided by both the illegal régime and business leaders does not indicate any basic change in the structure and role of foreign economic and other interests in the Territory. The private sector of the economy is still almost wholly dominated by foreign economic and other interests with the co-operation and support of the illegal régime in Southern Rhodesia.

1. OUTLINE OF RECENT ECONOMIC DEVELOPMENTS

3. In April 1971, the illegal régime published an Economic Survey of Rhodesia for 1970 in which it provided selected statistics on the state of the national economy. According to the economic survey, the gross domestic product of Southern Rhodesia increased from \$R899.4 million to \$R970.7 million, achieving a rate of growth of 8 per cent. In real terms, after adjusting for price increases, the growth rate was about 4.5 per cent, compared with 9.8 per cent in 1969. The decrease in the rate of growth was attributed to the effects of adverse weather conditions on agriculture's contribution which, however, was only marginally less than in 1969. The contribution of all other sectors increased and their combined growth rate was 10 per cent. Capital formation in 1969 was \$R154 million and rough estimates point to a level of about \$R175 million in 1970, or some 17 per cent of the gross domestic product. Details of the industrial origin of the gross domestic product in 1970 with comparative figures from 1965 to 1969 are given in the following table.

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a/ For the most recent, see Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 23 A (A/7623/Rev.1/Add.1), annex, appendix III; ibid., Twenty-fifth Session, Supplement No. 23 A (A/8023/Rev.1/Add.1), annex, appendix II.

b/ S/8954; S/9252 and Add.1, S/9844 and Add.1-3; S/9748; S/9951 and S/10229.

c/ A/8423/Add.2, annex I.

Table 1

Southern Rhodesia: industrial origin of the gross domestic product

(million Rhodesian dollars)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970 (estimate)
Agriculture and forestry:										
European	88.9	85.3	88.5	88.2	87.8	88.9	87.8	76.9	102.0	98.9
African	38.9	40.7	40.4	43.9	41.8	47.6	57.1	56.9	62.1	63.2
Total	127.8	126.0	128.9	132.1	129.6	136.5	144.9	133.8	164.1	162.1
Mining and quarrying	37.4	34.0	31.6	38.0	48.1	45.0	46.0	48.2	57.0	59.0
Manufacturing	93.3	99.2	100.7	112.9	127.7	116.3	134.9	152.8	171.2	199.7
Electricity and water	20.9	23.1	26.3	27.5	29.0	30.9	33.0	38.5	41.2	43.6
Building and construction	35.9	32.3	29.2	32.9	34.5	34.1	40.9	47.1	52.0	60.7
Banking, finance and insurance	7.2	7.6	7.8	7.6	10.4	11.4	13.7	13.7	17.5	18.6
Real estate	9.0	8.8	9.6	10.4	11.1	13.1	13.8	14.6	16.0	17.5
Ownership of dwellings	18.8	19.6	20.6	20.6	20.0	20.4	22.8	25.1	28.4	31.9
Distribution, restaurants and hotels	87.3	88.4	89.8	90.8	103.1	89.5	94.0	107.5	113.9	125.8
Transport and communications	48.3	48.9	54.6	54.6	58.6	53.2	50.2	57.6	64.9	67.1
Public administration and defence	27.4	29.2	31.2	29.2	32.6	36.6	38.3	41.2	45.5	47.2
Education	18.0	19.8	21.2	22.0	23.2	24.7	25.3	26.7	27.5	29.6
Health	5.4	5.8	7.2	7.2	8.1	9.0	9.4	10.4	11.1	11.9
Domestic services	18.8	19.6	20.4	21.0	21.6	22.0	23.2	25.1	26.2	28.2
African rural household services	7.4	6.4	8.6	9.4	9.4	10.4	11.1	11.7	12.2	13.0
Other services	34.8	37.9	35.6	36.4	36.6	38.3	37.7	44.9	50.7	54.8
Gross domestic product	597.7	606.6	623.3	652.6	703.6	691.4	739.3	798.8	899.4	970.7

Source: Southern Rhodesia, Economic Survey of Rhodesia, 1971, table 4.

4. The gross national product increased from $R899.4 million in 1969 to $R970.7 million in 1970. Table 2 below gives details of the national income from 1965 to 1970.

Table 2

Southern Rhodesia: national income

(million Rhodesian dollars)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970 (estimate)
Wages and salaries:	332.6	345.8	358.0	369.6	394.9	408.1	424.1	459.5	502.8	548.5
Europeans, Asians and Coloureds	204.0	210.4	215.4	216.8	231.2	240.0	249.4	269.7	295.6	322.1
Africans	128.6	135.4	142.4	153.0	163.6	168.2	174.8	189.7	207.1	226.4
Gross income from incorporated enterprise:	114.6	111.9	114.8	113.0	107.7	113.7	128.8	129.9	155.1	159.0
Europeans, Asians and Coloureds	63.4	58.7	58.7	52.5	48.8	49.3	53.0	52.2	71.2	72.5
African rural households:										
For own consumption	38.3	39.3	42.1	46.5	43.8	48.7	59.2	62.3	63.7	67.5
Sales	8.0	7.7	6.8	6.8	7.4	8.3	8.9	6.4	10.6	8.7
African, other	5.0	6.2	7.2	7.4	7.7	7.3	7.8	9.2	9.7	10.3
Gross operating profits:	125.7	122.9	123.7	142.0	172.3	140.3	153.9	174.3	202.2	220.0
Government enterprise	9.4	10.4	13.8	14.0	16.0	18.1	18.5	18.6	21.2	29.5
Public corporations	22.8	20.6	25.2	28.8	28.8	18.0	9.7	22.2	28.7	28.2
Companies	93.5	91.9	84.8	99.2	127.6	104.2	125.8	133.5	152.4	172.3
Income from property:	25.0	26.2	27.0	28.2	28.8	29.2	32.3	35.2	39.5	43.2
Government	6.2	6.6	6.4	7.6	8.7	8.8	9.5	10.0	11.1	11.3
Personal	18.8	19.6	20.6	20.6	20.1	20.4	22.8	25.2	28.4	31.9
Gross domestic product (factor cost)	597.7	606.6	623.3	652.6	703.6	691.4	739.3	798.8	899.4	970.7
Less: net income paid abroad	-23.0	-25.8	-30.2	-32.2	-29.7	-16.8	-15.0	-21.2	-24.2	-23.7
Gross national product (factor cost)	574.7	580.8	593.1	620.4	673.9	674.6	724.3	777.6	875.2	947.0
Plus: net indirect taxes	39.2	41.0	44.4	51.0	53.1	46.8	51.4	46.9	63.6	79.9
Gross national product (market prices)	613.9	621.8	637.5	671.0	727.0	721.4	776.2	824.4	938.8	1026.9

Source: Southern Rhodesia, Economic Survey of Rhodesia, 1971, table 2.

2. FOREIGN TRADE

5. The value of domestic exports in 1970 increased by 16 per cent, to $R256.3 million, but gold sales declined by $R1.2 million and re-exports by a further $R700,000. Total export earnings (including gold sales and re-exports) amounted to $R274.0 million in 1970, compared with $R240 million in 1969. Total imports increased from $R199.4 million to $R234.9 million in 1970. The visible trade balance for 1970 showed a surplus of $R32.7 million, compared with a surplus of $R35.7 million in 1969. The net deficit for invisible transactions increased from $R30 million in 1969 to $R40 million in 1970, creating a current account deficit of $R7.7 million, compared with a surplus of $R5.7 million in 1969. Preliminary recordings of capital account transactions showed a net inflow of $R8.5 million in 1970, compared with $R15 million in 1969. The combined surplus on current and capital account was $R0.8 million, compared with $R20.7 million in 1969.

6. The Economic Survey of Rhodesia for 1970 stated that the terms of trade moved slightly against Southern Rhodesia in 1970 and that the balance of payments would remain under considerable strain to meet substantial demands for infrastructural developments and for essential imports for industry

7. A summary of the balance of payments covering the last three years is given in table 3 below.

Table 3

Southern Rhodesia: Summary of balance of payments
(million Rhodesian dollars)

	1968	1969	1970
Visible trade:			
Domestic exports	174.7	220.1	256.3
Re-exports	8.5	6.8	6.1
Gold	11.9	12.9	11.7
Imports	-207.0	-199.4	-234.9
Adjustments	-6.8	-4.7	-6.5
Visible trade balance	-18.7	35.7	32.7
Invisibles, net	-30.2	-30.0	-40.4
Current account balance	-48.9	5.7	-7.7
Capital transactions	43.6	15.0	8.5
Total transactions	-5.3	20.7	0.8
Compensatory finance:			
Short-term creditors/debtors	2.6	5.6)	
Cash balances	8.3	2.6)	0.8
Banking reserves, errors and omissions	-16.2	12.5)	
Total compensating finance	-5.3	20.7	0.8

Source: Southern Rhodesia: Economic Survey of Rhodesia, 1971.

8. A detailed and descriptive account of the land and agriculture of Southern Rhodesia is contained in previous studies prepared by the Secretariat for Sub-Committee I (see foot-note (a) above). Additional information relevant to the work of Sub-Committee I is given below.

9. As outlined in previous studies by the Secretariat, agriculture in Southern Rhodesia is dominated by white settler interests which account for two thirds of the present total output. In 1970, European agriculture accounted for crops and livestock valued at $R162.9 million, of which $R138.5 million represented gross sales, while African agriculture produced crops and livestock with an estimated gross value of $R66.8 million, of which $R53.6 million was for home consumption and $R13.2 million represented gross sales. Table 4 below shows the output of European and African agriculture from 1965 to 1970.

Table 4

Southern Rhodesia: Agricultural output

(million Rhodesian dollars)

Year	European agriculture			African agriculture		
	Gross sales	Farm retentions	Total production	Gross sales	Home consumption	Total production
1965	124.3	16.3	140.6	9.0	35.0	44.0
1966	125.8	16.8	142.6	10.2	39.6	49.8
1967	126.8	17.8	144.6	10.8	48.0	58.8
1968	109.9	24.0	133.9	7.7	46.9	54.6
1969	140.9	26.8	167.7	13.0 a/	50.6	63.6 a/
1970	138.5	24.4	162.9	13.2 b/	53.6 b/	66.8 b/

Source: Southern Rhodesia. Monthly Digest of Statistics, Central Statistical Office (April 1971), Salisbury, table 18.

a/ Amended.

b/ Provisional.

10. Favourable rainfall conditions in 1969 caused the value of agricultural production to rise sharply to $R237 million, nearly $R40 million higher than the previous record level achieved in 1967. In 1970, adverse weather conditions affected agricultural production. The crops affected by the adverse weather would normally account for approximately 45 per cent of total agricultural output. However, through diversification and irrigation and with a significant expansion in

the output of animal products, the total value of agricultural output in 1970 declined by only 1.4 per cent, to $R234 million. Virginia flue-cured tobacco production fell by 8 per cent, and both maize and cotton deliveries to the marketing boards were 36 per cent less than in 1969. Production of irrigated crops increased, particularly in the case of wheat, which is now at a level sufficient to satisfy more than 50 per cent of Southern Rhodesia's requirements. The value of beef slaughterings continued to rise and was 20 per cent above the 1969 level. Dairy produce increased by 12 per cent.

11. Tobacco production declined to 132 million pounds in 1969/70, from almost 300 million pounds in 1965. The crop target for 1970/71 was originally reduced to 100 million pounds, but was later restored to 132 million pounds. The support price paid by the illegal régime to producers decreased to 25 pence per pound for the 1969/70 tobacco crop, from an average price of 33 pence per pound in 1965.

12. To support agricultural production as a whole, which the régime admits has been adversely affected by sanctions as well as by the drought, the régime set aside $R16 million in the budget for 1970/71 to meet the trading losses of the tobacco industry, bringing total budgetary spending on tobacco losses in the past three years to $R49 million. In addition to the $R16 million provided to cover the losses of the tobacco industry, the budget for 1970/71 provided an additional $R12 million for the payment of subsidies, bonuses, indemnifications for losses and other assistance to agriculture. These payments were designed principally to help in the diversification of agriculture, in particular to promote the development of crops other than tobacco. In addition to tobacco, the illegal régime has also been subsidizing the price of beef cattle and agricultural products, such as cotton, maize, winter wheat, sorghum, ground-nuts and soya beans.

4. MANUFACTURING AND RELATED ENTERPRISES

13. The manufacturing activities of Southern Rhodesia are concentrated in the production of cheaper varieties of consumer goods, such as clothing, textiles, footwear and the processing of food products, as well as heavier industries, such as the metal, iron and steel industries, which are also controlled by foreign economic and white settler interests. d/ The manufacturing sector has grown vigorously since 1966 and there was a further expansion of 14 per cent in 1970, bringing the total value of output to more than $R580 million.

14. With the exception of transport equipment, textiles and clothing, all sectors of manufacturing industry recorded higher percentage growth rates in 1970 than in 1969. Rates of growth in volume in excess of 20 per cent were recorded by chemical, rubber and petroleum products, non-metallic mineral products and paper and printing. Food-stuffs, metals and metal products, beverages and tobacco and wood and furniture all registered increases of more than 10 per cent. The output of the textile industry declined by 6 per cent, owing mainly to the smaller cotton crop which reduced ginning output. There was also a slackening of demand for piece goods in the local market.

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d/ Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23 A (A/8023/Rev.1/Add.1), annex, appendix II, para. 16.

15. The value of building output increased by 23 per cent and that of civil engineering output by 4 per cent, giving a combined increase of 12 per cent for the construction sector as a whole. The demand for building, as reflected in building plans approved, continued at a high level, increasing by 40 per cent to $R74 million. The largest demand is for residential accommodation and plans approved for this purpose rose by 40 per cent to $R43 million. Industrial building plans increased by 73 per cent to $R11 million and commercial and other building plans accounted for $R20 million.

16. According to the Economic Survey of Rhodesia, the gross operating profits of companies, which are all virtually controlled by white settlers and foreign economic interests, amounted to $R172.3 million, compared with $R152.4 million in 1969; additionally, gross income from unincorporated enterprises, controlled almost wholly by the same interests, amounted to $R72.5 million in 1970, compared with $R71.2 million in 1969.

5. MINERALS

17. The total value of mineral production increased from $R88 million in 1969 to $R99 million in 1970, with the volume of production increasing by nearly 10 per cent. The upsurge in production, which attained a new record level in 1970, has been attributed to substantial investment in the industry since 1965, e/ which led in particular to the exploitation of new nickel and copper mines. Table 5 below shows the comparative mineral output for the period 1965 to 1970.

Table 5

Southern Rhodesia: Mineral output

(million Rhodesian dollars)

1965	64.0
1966	65.2
1967	66.8
1968	67.4
1969	87.7
1970	98.7

Source: Southern Rhodesia. Monthly Digest of Statistics, Central Statistical Office (April 1971), Salisbury, table 18.

18. A detailed and descriptive account of the role of foreign economic interests in the mining sector of the economy is contained in five previous studies prepared by the Secretariat for Sub-Committee I (see foot-note (a) above). Additional information relevant to the work of Sub-Committee I is given below.

19. According to statements issued by the "Ministry of Mines" in 1970, 69 exclusive prospecting orders were granted in 1969, covering an area of

e/ Ibid., Twenty-fourth Session, Supplement No. 23 (A/7623/Rev.1), chap. VI, annex I, paras. 123-127; ibid., Twenty-fifth Session, Supplement No. 23 (A/8023/Rev.1), chap. V, annex, paras. 67-73.

5,000 square miles. Intensive prospecting activity has disclosed untapped resources of copper and nickel on which new mines are being developed. Most of the new mines are large-scale operations promoted by prominent mining houses, in contrast to the traditional small-scale activities of the past.

20. On 8 September 1970, the Messina (Rhodesia) Development Company opened its $R3 million Gwaai-River copper mine; export production from the mine was expected to reach an annual production figure of $R3 million. f/ At the opening ceremony, Mr. Ian Smith said that copper had made the greatest contribution to mining production in 1969 and that, in the first half of 1970, copper production had been 20 per cent greater than that for the same period of 1969.

21. The contribution of nickel to the mineral production of Southern Rhodesia is indicated by the Rhodesian Nickel Corporation's latest annual report for the year ending 31 March 1970. The company, a subsidiary of the Anglo American Corporation, reported a consolidated taxed profit of $R3.1 million for its first full year's production from the Bindura Refinery. g/

22. On 7 December 1970, it was reported that the Johannesburg Consolidated Investment Company had made an important discovery of nickel deposits in the south, 15 miles from the village of Shangane and 60 miles from Bulawayo. According to the report, the discovery could be of considerable extent and value.

23. On 17 September 1970, the Government of the United States of America confirmed that permission had been granted to a United States firm to ship 150,000 tons of Southern Rhodesian chromium ore to the United States, but emphasized that this did not involve any change in policy towards sanctions. The chromium ore had been legally paid for before economic sanctions were imposed by the United Nations and the licence had been issued under the Treasury Department's "hardship provisions". These allow a company which has already paid for a shipment of goods before the imposition of sanctions, to complete the transaction.

24. The consignment of chromium ore, valued at $R1.85 million, was imported from Southern Rhodesia by the Union Carbide Corporation which owns the largest chrome mine in Southern Rhodesia. Another United States firm, the Foote Mineral Company of Pennsylvania, is also a chrome producer in Southern Rhodesia. Total investment of the two companies in Southern Rhodesia is estimated at $R40 million. In granting permission for the importation of the chromium ore from Southern Rhodesia, the United States Government also stated that it had decided to allow United States companies in Southern Rhodesia to sell their assets. Both companies, however, have denied reports that they intend to sell their assets.

6. POPULATION, EMPLOYMENT AND EARNINGS

25. According to the 1969 population census, the total population of Southern Rhodesia in 1969 was 5,099,340 of which 95 per cent were Africans, 4.5 per cent Europeans, 0.24 per cent Asians and 0.3 per cent were persons of mixed race.

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f/ See *ibid.*, para. 73.

g/ *Ibid.*, para. 69.

26. The rate of growth of the African population since the previous census in 1962 averaged 3.6 per cent per annum and was attributed almost exclusively to natural increase. The rate of the natural increase in the African population, reported to be amongst the highest in the world, would double the African population within the next eighteen years. At present, about 2.3 million or 46 per cent of the African population are children. The ratio of African children to the total employed population is nearly 3 to 1; the Southern Rhodesian economy has shown a considerable lag in creating employment opportunities in the money economy to meet the demands of the African population.

27. The European population increased by nearly 9,000 to 243,000 during 1970. Natural increase accounted for only 2,600. Net immigration totalled 6,340 which was the highest level achieved in the last decade.

28. African employment increased by 4.2 per cent to a new peak of 726,100; European employment also increased by 4.2 per cent to 103,700. The average earnings of Africans were $R312 per annum, compared with $R3,108 for Europeans.

APPENDIX IV

BAHAMAS, BERMUDA, BRITISH VIRGIN ISLANDS, CAYMAN ISLANDS, TURKS AND CAICOS ISLANDS

CONTENTS

INTRODUCTION

1. In its conclusions and recommendations adopted at its 775th meeting on 29 October 1970, the Special Committee noted, inter alia, a/

> "(11) The Special Committee expresses concern over the establishment in some of the Territories of separate economic and financial entities which are not subject to the control of Government authority and requests the administering Power concerned to take measures which would safeguard the rights of the people of the Territories to dispose of their resources and to maintain control over their future development."

1. BAHAMAS

2. Basic information on the economic conditions in the Bahamas is contained in the Special Committee's report to the General Assembly at its twenty-fifth session, b/ and in the most recent working paper prepared by the Secretariat. c/ A summary of information on the activities of foreign economic and other interests including supplementary information is set out below.

Hawksbill Creek Agreement

3. Freeport, on Grand Bahama Island, has attracted considerable foreign investment. In 1955, the Bahamas Government and a company known as the Grand Bahama Port Authority, Limited (GBPA), entered into an agreement which was embodied in the Hawksbill Creek, Grand Bahama (Deep Water Harbour and Industrial Area) Act of 1955. This agreement awarded the Port Authority 50,000 acres of government land, later expanded to almost 150,000 acres. The Authority undertook to dredge and construct a deep-water harbour, to promote and encourage the establishment of commercial and industrial undertakings and to provide such industrial and commercial facilities and social as well as educational amenities as required.

4. The Government, for its part, undertook the following obligations:

(a) Until the year 2054, the Port Authority and its licencees will not be required to pay import duties (except on goods for personal consumption).

(b) Until the year 1990, no real property taxes, and no real property levies (whether capital or periodic) of any kind will be levied against any land, building or structure within the Freeport area; the Authority and its licencees will be free from personal property taxes, capital levies, capital gains taxes and capital appreciation taxes.

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a/ Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23, (A/8023/Rev.1), chap. XVIII, para. 11.

b/ Ibid., annex I.A, paras. 49-57 and 60-113.

c/ A/8423/Add.7 (part III), annex I.A, paras. 29-31 and 37-88.

(c) The Authority and its licencees will pay no taxes of any kind on their earnings in the Freeport area; the employees of the Authority and its lessees or licencees (provided that they are ordinarily resident in the Freeport area) will pay no income tax on their salaries or bonuses.

(d) The Authority and its licencees will pay no excise duties (except on consumable goods imported into the Freeport area), no export duties or levies and no stamp duties on bank remittances.

(e) The Authority has the right to issue licences to individuals and firms for the operation of businesses within the Freeport area; the licencees pay a percentage of their gross receipts to the Port Authority.

5. Since the Agreement came into effect, it has been subject to many criticisms on the grounds that it has established an enclave claiming super or quasi-governmental powers with an authority superior to that of the Government. In February 1970, the House of Assembly passed an act, introduced by the Government, which nullified certain provisions of the Agreement and decided to set up a Commission of Enquiry "to examine all other aspects of the Hawksbill Creek Agreement". The main purpose of the act was to empower the Government of the Territory (and not the Port Authority) to decide "who can enter the Bahama Islands, when a person can enter, for how long to stay and for what purpose to enter, and that no one can enter without the permission or consent of the Government".

6. In September 1970, the Government appointed a Royal Commission, headed by Sir Hugh Wooding, former Chief Justice of Trinidad and Tobago, to investigate and recommend possible changes to the Hawksbill Creek, Grand Bahama (Deep Water Harbour and Industrial Area) Act of 1955. The report of the Commission was completed and submitted to the Prime Minister in March 1971. In his statement made at the new session of the Legislature on 14 June 1971, the Governor of the Territory promised an early publication of the report; he declared in this connexion that "Ministers regard the report as a helpful document and will consider how to implement its recommendations in the best interest of Freeport and the Commonwealth as a whole".

7. According to preliminary reports, the Royal Commission came down in its conclusions against any unilateral abrogration of the Agreement by the Government and suggested that action be taken by mutual agreement between the Government and suggested that action be taken by mutual agreement between the Government and the Port Authority. In principle, the Commission concluded, the Government should retain the powers it exercises at present in Freeport but should use them "more tactfully and imaginatively", and private business should behave "more responsibly". According to reports, the Commission also concluded that immigration and issue of work permits should be an exclusive responsibility of the Government.

Freeport and foreign investments

8. Owing to the absence of income tax, the nominal excise duties and the liberal company taxation laws, considerable foreign investment has been attracted to the Territory. United States, Canadian and British companies are reported to have invested more than $US2,000 million in the last twenty years in land, hotels and other tourist attractions. The major part of these investments went into the Freeport area.

9. Benguet Consolidated, Inc., a Philippine-based company, in its annual report for 1969, published in April 1970, noted that in February 1970 the company acquired a 50 per cent interest in Intercontinental Realty, Ltd., and Bahama Realty Corporation, two firms with a world-wide network of 140 real estate brokers, and the exclusive sales representation of the Grand Bahama Development Co., Ltd., and Benguet International. At that time, a spokesman for the company announced that its earnings in 1969 were approximately $US1.05 per share (compared with $US0.77 in 1968), and disclosed that well over 90 per cent of those earnings had been derived from the land operations of the Grand Bahama Port Authority. Actual earnings, as described in the company's report for 1969, were slightly higher than the estimate; income per share before extraordinary items rose from $US0.73 in 1968 to $US1.08 in 1969, and net income rose from $US16,211,984 to $US21,737,131.

Land development

10. It is reported that about one third of all the land of the main islands has already been alienated to private developers; land speculation has driven land prices, especially in favoured beach areas, to a very high level.

11. Reference was made to the Bahamas in a report on the economic and development potential of the Turks and Caicos Islands, prepared by the Transport and Tourism Technicians, Ltd. (TTT) d/ This report warned against repeating mistakes concerning land development in the Bahamas. The mistakes were listed as follows:

"(i) The 'freezing' of land in the hands of developers, and of purchasers from developers, with extremely low rates of residential and tourism development;

(ii) The haphazard form of some developments;

(iii) The permanent exclusion of some of the best beach-front sites from tourist development and from the public;

(iv) The creation of 'dead' areas in the hinterland areas after beach-front sites have been sold;

(v) The creation of a purely speculative market in the better sites - without their being put to any economically productive use;

(vi) The creation of a bad 'image' of the Bahamas by some of the less reputable developers."

Mineral resources

12. In April 1969, the Government of the Territory signed a long-term contract with Ocean Industries, Inc., a subsidiary of the United States company, Dillingham Corporation of Honolulu, Hawaii; the contract granted the company the right to mine, process and sell Bahamian aragonite, a natural form of limestone dredged from the ocean floor. Aragonite reserves available in the Bahamas, mainly off the northern

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d/ For details, see ibid., annex I.F, paras. 20-23; see also paras. 51-57 below.

coast of Andras Island, are estimated at about 50,000 million tons (estimated world demand for aragonite is 2,000 million tons annually). In November 1970, it was reported that shipments of aragonite had already been started to Trinidad and Tobago, the United States and Guyana. It is expected that royalties to the Bahamas Government from the company's operation will eventually total over $B 500,000 annually (see paragraph 21 below).

13. During 1969, six oil companies which hold concessions covering land and off-shore areas conducted exploratory geological and geophysical surveys in the Territory. Towards the end of June 1970, the Bahamas Gulf Oil Company, in conjunction with the Bahamas California Oil Company, had begun drilling operations off Clarence Town, Long Island.

Industries

14. The Freeport area attracts many industrial and business activities; altogether, about 50,000 acres are being developed at Freeport as an industrial, commercial and residential area.

15. In November 1970, a new oil refinery at Freeport, one of the largest in the world, officially started operations. It was constructed by the Bahamas Oil Refinery Company (BORCO), jointly owned by the New England Petroleum Corporation (65 per cent) and Standard Oil Company of California (35 per cent) at a cost of $B77 million. The daily capacity of the refinery is reported to be 250,000 barrels of fuel oil, with a low-sulphur content. In July 1970, it was reported that the Grand Bahama Port Authority had signed a $B29 million contract with BORCO for the purchase by the company over a two-year period of 486 acres of industrial land. The purchase included land which was originally leased by BORCO when it began construction of the refinery and an additional 245 acres adjacent to it.

16. The Bahama Cement Company, a subsidiary of the United States Steel Corporation, with an annual production capacity of 5 million barrels of cement, and the Syntex Corporation, a large manufacturer of pharmaceuticals, are both located at Freeport. At Snake Cay, on Great Abaco Island, a new sugar factory was constructed with a capacity of 50,000 tons of raw sugar a year; it is operated by Bahamas Agricultural Industries, Ltd. (owned by Owens-Illinois, Inc., of the United States).

Banking and finance

17. A number of major banks operate in the Territory and some have branches at Freeport and on the Out Islands. The major banks include the Bank of London and Montreal (BOLAM), Barclays Bank D.C.O., Butlers Bank, Ltd., the Canadian Imperial Bank of Commerce, E.D. Sassoon Banking Company, Ltd., the First National City Bank of New York, the Roy West Banking Corporation, the Bank of Nassau, Ltd., the Bank of Nova Scotia, the Chase Manhattan Bank, the Royal Bank of Canada, the World Banking Corporation, Ltd., the Commonwealth Industrial Bank, the International Bank of Washington, the Mercantile Bank of the Bahamas and the People's Penny Savings Bank. The Wellington Bank of Canada suspended its operations in November 1970, owing to "lack of liquidity".

18. In January 1970, the United States Federal Reserve Board approved applications by the following eight banks to establish branches in Nassau:

the Hartford National Bank and Trust Company, the American Security and Trust Company, the First National Bank of Memphis, the First National Bank of St. Paul, the Liberty National Bank and Trust Company, the Bank of the Southwest, the Seattle First National Bank and the Valley National Bank of Arizona.

19. At the end of 1970, there were altogether 151 banks licensed to carry on authorized banking and trust operations with the public in or from the Territory. Of these, sixteen were major banks appointed to deal in gold and foreign currencies. There were also twelve trust companies holding unrestricted licences.

20. In May 1970, the Minister of Development announced that a loan of $US2 million was being made available by the First National Mortgage Bank (Bahamas), Ltd. for government-insured construction and permanent mortgage financing for low-income housing in the Territory. The First National Mortgage Bank is owned by the First National Bank of Miami, National Bulk Carriers, Butlers Bank, Ltd., Deltec International, Ltd., and the Mercantile Bank and Trust Co., Ltd.

21. On 2 February 1970, the Bahamian dollar, then worth $US0.98 was revalued to the equivalent of 0.888671 grams of fine gold. As a result, the Bahamian dollar was put on a par with the United States dollar at $2.40 to the pound sterling. In March 1971, the Finance Minister of the Territory, in a statement before the House of Assembly, categorically denied reports that the Government intended to devalue the Bahamian dollar, introduce income tax, resort to nationalization or freeze funds held in banks in the Territory. He further declared that the reports were part of an effort by certain groups and individuals to undermine the public service and disrupt the Territory's economy.

22. In June 1971, the Prime Minister declared at a press conference that the Government of the Territory was going to introduce "stiff regulations on mutual fund and insurance company activities in the islands".

2. BERMUDA

23. Basic information on economic conditions in Bermuda is contained in the Special Committee's report to the General Assembly at its twenty-fifth session, e/ and in the most recent working paper prepared by the Secretariat. f/ A summary of information on the activities of foreign economic and other interests, including supplementary information, is set out below.

General

24. The annual report of the Bank of Bermuda for 1969, stated, inter alia, that during the year "business from abroad has continued to flow to Bermuda, and the number and type of overseas companies have greatly increased"; the report stressed that there are "many advantages in operating from Bermuda particularly for shipping and insurance companies, as well as investment, trading and finance companies".

25. According to the latest reports, the gross national product of the Territory is approximately $B130 million and the per capita income is in the region of $B2,400 (see paragraph 30 below). No breakdown by sections of population is available.

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e/ Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23 (A/8023/Rev.1), chap. XVIII, annex I.B, paras. 25-82.

f/ A/8423/Add.7 (part III), annex I.B, paras. 18-36.

Ireland Island Freeport

26. In order to encourage further establishment of light industries, the Government grants numerous concessions especially in the former dockyard area of the Ireland Island Freeport; companies operating there under licence are exampt from taxation on real and personal property and earnings. There are no customs duties on goods imported or exported, manufactured, processed, assembled, packed or stored in the area.

Finance and banking

27. In 1970, almost 2,000 international companies had headquarters in the Territory (most of them from the United States, Canada and the United Kingdom). Known as exempted companies, they are not permitted to do business in the Territory, and are exampted from income taxes and taxes on corporate profits. It is reported that the amounts paid in company taxes (registration fees) and stamp duties, together with goods and services consumed locally, make a sizeable contribution, directly or indirectly, to the over-all economy. It is estimated that the annual tax paid to the Government by these companies amounts to approximately $B750,000 in revenue.

28. According to reports, the Territory is fast becoming a major centre of financial structures known as "captive" insurance companies; they are termed "captives" because they are controlled by the corporations that pay premiums to them. These captives perform the functions of insurance underwriters, tax shelters and foreign investment concerns. It is estimated that since October 1970, more than thirty captives have been formed and that they are used by about eighty large United States and Canadian manufacturers. In addition, about 100 other large United States corporations are at present actively exploring the possibility of setting up captives in Bermuda. The three largest United States insurance brokers, Marsh and McLennan Inc., Johnson and Higgins and Alexander and Alexander Inc., have already set up officers in the Territory.

29. There are four major banks operating in the Territory: the Bank of Bermuda, Limited, the Bank of N.T. Butterfield and Son, Limited, the Bermuda National Bank, Ltd. (Bank of Nova Scotia) and the Bermuda Provident Bank (Barclays D.C.O.). A stock exchange, dealing only in local stocks, was opened in February 1971.

30. On 6 February 1970, the decimal system was introduced in the Territory and the currency was placed under the control of the Bermuda Monetary Authority in denominations of $B50, $B10, $B5 and $B1; the Bermudan dollar is worth 100 pennies or 8/4d.

3. BRITISH VIRGIN ISLANDS

31. Basic information on economic conditions in the British Virgin Islands is contained in the Special Committee's report to the General Assembly at its twenty-fifth session, g/ and in the most recent working paper, prepared by the

g/ Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23 (A/8023/Rev.1), chap. XVIII, annex I.C., paras. 22-56.

Secretariat. h/ A summary of information on the activities of foreign economic and other interests including supplementary information is set out below.

Anegada and Wickham's Cay agreements

32. In 1967, the Government of the Territory entered into agreements with the Development Corporation of Anegada, Ltd., and Wickham's Cay., Co., Ltd., both headed by Mr. Kenneth Bates.

33. The Anegada Agreement provided for the development of about four-fifths of Anegada Island. Under the Agreement, the corporation received a 199-year lease over approximately 8,796 acres of the island, in return for which it undertook an obligation to build a road network, an air strip, a deep-water jetty and various other facilities, and to pay the Government a percentage of the gross receipts. The Agreement called for the investment of at least $US1.5 million in the first five years, and not less than $US3 million over ten years. During the term of the 199-year lease, complete exemption was granted from all taxes on incomes, profits, capital and death duties to persons, firms and corporations resident or conducting business within the leased area.

34. The Agreement with the Wickham's Cay Co., Ltd., provided for the reclamation and development for commercial and residential purposes, of an area between Wickham's Cay and Road Town. Under the Agreement, the Government would issue to the company a Crown grant for about sixty acres of reclaimed land to be developed according to an agreed schedule. Among the concessions granted to the company were the exemption from customs duties of materials used for works specified in the Agreement, and exemptions granted for ten years by the Pioneer Services and Enterprises Ordinance, 1966.

35. As work on the projects proceeded, criticism and misgivings about the Agreements were expressed both by the public and by members of the Government. It was felt that the Territory was not getting its rightful due, and that the companies had received too liberal concessions. This discontent was heightened by the alleged inadequate consultations which had taken place over the original agreements. As a result of the mounting criticism, the Legislative Council, in July 1969, passed two motions calling for a Commission of Enquiry to look into the terms of the Agreements, with special reference to the political, economic and social consequences of their implementation, and to make recommendations as to the future development of Anegada and Wickham's Cay. The Commission, appointed by the Administrator in September 1969, published its report in December 1969.

36. With respect to the Anegada Agreement, the Commission recommended, <u>inter alia</u>, that the leased area should be reduced from the original 8,796 acres to 6,000 acres, leaving about 3,696 acres outside the leased area for use by Anegadians. The Commission also recommended that the period of the lease be reduced from 199 to 90 years, and that exemptions from income and profits taxes be limited to 35 years instead of 199 years.

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h/ A/8423/Add.7 (part III), annex I.C, paras. 16-52.

37. In the case of Wickham's Cay, the Commission recommended that the tax concessions granted to all business ventures on the Cay, except those for retailing, be abolished. The Commission believed that fears that the Cay would be dominated by foreign-owned businesses were justified, and, in this respect, offered two suggestions: that the company might agree to sell at least one third of the Cay to British Virgin Islanders, and that an arrangement might be made for the Government to purchase (at a price to cover the relevant cost) part of the land from the company which could then be resold to the islanders.

38. In February 1970, the Administrator of the Territory and the Chief Minister held a series of discussions with representatives of the United Kingdom Government in London. The talks were reportedly concerned principally with development matters and, in particular, with the situation arising from the recommendations of the Commission of Enquiry. In the second half of June 1970, a British Virgin Islands delegation, led by the Chief Minister and including the Leader of the Opposition, went to London for talks with representatives of the United Kingdom Government and with the developers. The talks had to be adjourned owing to the need, <u>inter alia</u>, for further investigations into the characteristics and the value of the reclaimed land on Wickham's Cay. Reporting on the talks at the end of July 1970, the Chief Minister expressed his conviction that a settlement would be reached that would be fair both to the Wickham's Cay and Anegada corporations and satisfactory to the wishes and interests of the people of the Territory. He further declared that the aim of his Government was to acquire the interests of both corporations and to set up a development corporation in the Territory, under the auspices of the Government, which would assume responsibility for further development of both projects. He also stated that Anegada and Wickham's Cay "must be in the same package".

39. The London talks were resumed in November 1970 and lasted for several weeks. In a statement released on 23 December 1970, the delegation of the Territory declared, <u>inter alia</u>:

> "Mr. Stoutt and his delegation considered the offer of $US4.8 million to be entirely fair and reasonable on the basis of the facts which were available to them. This offer was not accepted by Mr. Bates but he did undertake to produce information which would, he claimed, justify a higher amount. It was agreed that his advisers should do this in discussion with the British Government... . Neither the British Government nor the British Virgin Islands Government is committed in any way to any payment beyond that which has already been offered."

40. The talks continued during the visit of Mr. Joseph Godber, United Kingdom Minister of State for Foreign and Commonwealth Affairs, to the Territory between 23 and 25 January 1971. In April 1971, it was reported that the United Kingdom Government was to make available $US5.8 million to the Government of the Territory so that it could acquire the assets of both corporations. This amount was reportedly termed by Mr. K. Bates as "grossly unfair and not even consistent with the Government's own so-called principle of compensation".

41. At the opening of the first sitting of the Territory's Legislative Council on 8 July 1971, the Administrator made the following statement concerning the question:

"A most important matter facing my Government is the future development of Anegada and Wickham's Cay following the buying out of the interests of the companies originally formed to develop these properties. The preparation of legal documents to conclude the transaction is now at an advanced stage and settlement is expected shortly. Meantime, Government is seeking through United Kingdom technical assistance auspices, the services of competent consultants to advise on the future development and management of these areas.

"To enable it to acquire these assets and develop them, the Government will receive a loan from the United Kingdom totalling at least $5.8 million on terms which have yet to be notified by Her Majesty's Government but which in any event will be such that repayment will not prove too burdensome to the Government of the British Virgin Islands.

"It is my Government's firm view that the development plan for Wickham's Cay should be prepared within the framework of an over-all policy plan for Road Town as a whole in order to ensure that the interests of the present residents and property owners of Road Town are not ignored. Similarly, the development plan for Anegada will take account of the over-all potential for the development of the Territory, including critical resources such as labour force, the capacity of the building industry, communications, the national economy, development phasing and so on. This sort of planning is neither an easy nor a quick job. It will take time and patience, but it is considered that as a result the Territory will be better off in the long run."

Finance and banking

42. There are four international banks operating in the Territory: the Virgin Islands National Bank, Barclays Bank D.C.O., the Bank of Nova Scotia and the Chase Manhattan Bank. At the beginning of 1970, the Provident Trust Company (Tortola) Ltd., was established in the Territory as a subsidiary of the Provident Trust Company, Ltd., of Hamilton, Bermuda (which was to own 60 per cent of its shares, 40 per cent being offered to British Virgin islanders).

43. The Territory is in a unique currency position, the sole legal tender being the United States dollar, although the British Virgin Islands belong to the sterling area. There are no exchange control restrictions, and dollars may be freely transferred in or out of the Territory. British investors are allowed to convert sterling to dollars freely for *bona fide* investment projects in the Territory.

4. CAYMAN ISLANDS

44. Basic information on the economic conditions in the Cayman Islands is contained in the Special Committee's report to the General Assembly at its twenty-fifth session, i/ and in the most recent working paper prepared by the

i/ *Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23* (A/8023/Rev.1), chap. XVIII, annex I.D, paras. 21-48.

Secretariat. j/ A summary of information on the activities of foreign economic and other interests including supplementary information is set out below.

Registered companies

45. The Companies Law, which came into effect on 1 December 1961, provides, inter alia, for the registration in the Territory of companies whose business is carried on outside the Territory and allows complete flexibility in their operations. In 1967, the Trust Law was enacted, incorporating all modern features of common law trusts.

46. George Town, Grand Cayman, is rapidly becoming an important international centre for financial transactions. According to the administering Power, there were over 2,000 companies and over 300 trusts registered in the Territory at the end of 1970. The administering Power also reported that "these islands are known to be a tax haven because of the absence of any form of direct taxation and also from the fact that modern laws are in force providing reasonable facilities for the operation of international finance business through exempted and ordinary companies based in the islands".

Finance and banking

47. Approximately 32 banks and trust companies are registered in the Territory, although not all of them have a licence to operate. The following major trust companies are operating in Grand Cayman: the Bank of Nova Scotia Trust Company (Cayman), Ltd.; the Canadian Imperial Bank of Commerce Trust Company (Cayman), Ltd.; the Cayman International Trust Company, Ltd. (partly owned by Barclays); and the Royal Bank of Canada Trust Company (Cayman) Ltd. Other trust companies operate through representatives. Barclays Bank D.C.O., the Royal Bank of Canada, the Bank of Nova Scotia, the Canadian Imperial Bank of Commerce and the Mercantile Bank are actively engaged in banking business. On 1 July 1970, the Sterling Bank and Trust Co., Ltd. (the first all-Caymanian private bank) started operations; it has taken over mortgages and notes from the Union Savings and Loan Association (Cayman) Ltd. which had its licence revoked by the Administrator in 1969.

48. Two large British funds, the Atlantic Exempt Fund and the Tayeb Offshore Fund started operations in the Territory in 1969. Other funds with offices in the Territory are the Australian and General Exempt Fund, Middle East Financial Services, Eastbrook Real Estate Development Trust, American International Real Estate Fund and the First American Investment Fund.

49. On 8 September 1969, with the introduction of the Jamaican decimal system, the Jamaican dollar replaced the Jamaican pound as currency. In mid-1970, the Legislative Assembly accepted the recommendations of the Currency Committee for the issue of a Cayman Islands currency which is to be tied to sterling with a par value of 8s 4d to the dollar; the new currency was expected to be introduced by early 1972.

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j/ A/8423/Add.7 (part III), annex I.D., paras. 18-49.

5. TURKS AND CAICOS ISLANDS

50. Basic information on the economic conditions in the Turks and Caicos Islands is contained in the Special Committee's report to the General Assembly at its twenty-fifth session, k/ and in the most recent working paper prepared by the Secretariat. l/ A summary of information on the activities of foreign economic and other interests including supplementary information is set out below.

Jakeway report

51. A working team headed by Sir Derek Jakeway, former Governor of Fiji, was appointed by the Government of the United Kingdom at the end of 1969 to examine the possibilities for the development of the Territory's economic and tourist potential. In preparation of the team's work, the firm of Transport and Tourism Technicians, Ltd. (TTT) was commissioned by the Ministry of Overseas Development to examine and report on the potential of the Territory. A summary report was made available to the team towards the end of February 1970; the team concluded its work in March 1970.

52. In its report, known as the Jakeway report, the team expressed agreement with the opinion of the TTT that the Territory had "considerable potential for tourist and property development", and concluded that "a judicious balance of the two offers the Territory the best prospect in sight of accelerated economic advancement". The Jakeway report estimated that, by 1975, annual tourist arrivals would reach 15,000, additional hotel rooms would amount to 570, new housing units would reach 1,300 and new jobs created would total almost 4,000, of which about half would consist of workers in the construction industry.

53. In this connexion, the report pointed out that "while development on this scale is feasible, it will not provide optimum benefits to the islanders unless it is conducted under a comprehensive national development policy which incorporates a planned expansion of the infrastructure and of the social services (education in particular)". The report further emphasized that there are "serious disadvantages and dangers in leaving too much to private enterprise" and, as an example, cited the Blue Caicos project on Providenciales (which has since been abandoned). The report stated, *inter alia*:

> "One developer would control an area of some 10,000 acres (nearly half the island of Providenciales and disproportionately large by any standards). If the agreement went through as at present drafted, the developer would be assuming a number of functions which are properly those of government (e.g., rating, registration and licensing of companies, operation of postal and telephone services) and a 'State within a State' would have been created."

54. In general, the report stated that, "in its negotiations with developers, it [the Government] does not have the expert backing and advice available to the other side. Because of this, and because of its inherently weak bargaining position, it may concede more than is necessary or desirable."

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k/ *Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 23* (A/8023/Rev.1), chap. XVIII, annex I.F, paras. 25-52.

l/ A/8423/Add.7 (part III), annex I.F, paras. 17-53.

55. Despite some serious potential risks involved in the future economic and tourist development of the Territory, the report presented its recommendations as the only alternative to "a continuation of the present state of stagnation, improverishment and dependence on British dole".

56. The report emphasized that the Turks and Caicos islanders should be "the principal beneficiaries from development, that adequate land should be reserved for them and for islanders who return from abroad, that the services should go to the settlements and not be restricted to the new estates, and that they /the islanders/ should have priority in the new fields of employment that will open up (with no discrimination in pay)". The report also stated that "immigration will have to be carefully yet judiciously controlled".

57. Following the recommendations of the report, an over-all development plan is to be prepared for the Territory. It is reported that the group of investment consultants were to be appointed at an early date to put the plan into effect and find the necessary finance.

Other developments

58. According to reports, British Petroleum (BP) was granted an exploratory licence (excluding drilling) covering all the sea areas off the Territory. BP will pay $J11,900 a year to the Government. The cost of exploratory work is estimated to be $J238,000.

APPENDIX V

PAPUA AND THE TRUST TERRITORY OF NEW GUINEA

CONTENTS

INTRODUCTION

1. The present working paper supplements previous studies on the economy of Papua and the Trust Territory of New Guinea which the Secretariat prepared for Sub-Committee I in 1967, 1968 and 1969 and which are reproduced in the reports of the Special Committee to the General Assembly for the years mentioned. a/ The purpose of the present paper is to update the earlier studies by furnishing new information on the main sectors of the economy in which there is foreign investment.

a/ Official Records of the General Assembly, Twenty-second Session, Annexes, agenda item 24, document A/6868/Add.1, appendix VI; ibid., Twenty-third Session, Annexes, agenda item 68, document A/7320/Add.1, appendix VII; ibid., Twenty-fourth Session, Supplement No. 23A, (A/7623/Rev.1/Add.1), appendix VII.

A. LAND

2. The administering Power adheres to the long-term objective of introducing a single system of land holding throughout the Territory to provide for secure individual titles. It has reiterated that it is aware that customary land tenure is not satisfactory for economic progress as it frequently lacks the flexibility needed to encourage land development.

3. The administering Power has stated that a review of the present policy and land laws of the Territory would be undertaken. Mr. S. Rowton Simpson, Land Tenure Adviser to the Ministry of Overseas Development, United Kingdom of Great Britain and Northern Ireland, visited the Territory in 1969 and, at the request of the Australian Government, reported on land tenure problems. His report was tabled in the Territory's House of Assembly in August 1969 and was debated in November. Based on Mr. Simpson's recommendation, a technical party of officials concerned with land matters visited Kenya in January 1970. The party considered that while the situations in Kenya and Papua-New Guinea were not the same, they were sufficiently similar for the main outlines of the Kenyan legislation to be adapted to the Territory.

4. Following the visit, Mr. T.J. Fleming, former land tenure adviser to the Kenyan Government, was asked to propose the outline of a reform, the draft of which was prepared by a team of land tenure experts of the Territory under the Director of the Department of Lands, Surveys and Mines. An Australian professor, Mr. D.J. Walan, was then consulted and four draft ordinances were prepared for submission to the House in March 1971.

5. The main features of the reform are the following:

(a) The adjudication of customary rights is to be administrative and not judicial and the officer in charge of adjudication may divide the area to which the claim refers into several sectors and set up as many adjudicating teams as he may deem necessary. The decisions of this officer or, in some cases, of the Land Titles Commission, are final.

(b) The conversion of a customary right into individual tenure may be effected at the same time as its adjudication.

(c) Land tenure transactions, other than those whereby a non-indigenous person acquires a right from a New Guinean, may be approved locally, or at the district level, not in the capital of the Territory.

(d) All land titles, whether customary or not, are to be registered in a record of "absolute ownership" the idea of "freehold" being abandoned; open registers for each region in which the volume of land tenure operations so justifies are to replace the single register of the Territory.

6. The purpose of the reform was to reduce the volume of correspondence and speed up administrative procedures, by decentralizing the decision-making procedures. The 1971 Visiting Mission welcomed this b/ but offered the following comments:

(a) It feared that the reforms might not succeed in solving the basic problems (insufficient number of inter-clan demarcations, excessive slowness of the negotiations for incorporating land into the public domain), unless the number of staff employed in the land tenure services was increased. The authors of the drafts had agreed on this and had provided for the appointment of a larger number of deputy land commissioners. The Administration had informed the Visiting Mission that it did not intend to use its officers for land demarcation but hoped to employ technical personnel, most of whom would be indigenous, for this purpose. In order to facilitate and expedite the reform it intended to request international assistance, perhaps in the form of experts in topography. The Mission realizing how important the reform is to the future of the Territory, welcomed the proposed appeal for help from international bodies and recommended that it be favourably considered. It pointed out, however, that the use of too highly sophisticated personnel, material and methods might delay considerably the realization of a reform, already overdue, and might even jeopardize its success. Generally speaking, it would be desirable not to use costly topographical techniques, when the surveyor's table, compass and chain were sufficient, but to use instead the aerial photographs available and already being used by the land services whenever possible.

(b) The question also arose as to whether the New Guinean Government, once the Territory became self-governing, would not have to be more strict than the Administering Authority as regards claims, which were excessive and costly for the community, made by certain persons to idle land.

(c) At a more technical level, the establishment of multiple land registers would mean that they would be handled by people untrained in keeping land records. Furthermore, entering titles of different origins in the same books might make it particularly difficult to keep them up to date.

7. Population density in the Territory as a whole is very low, and, except in some overpopulated areas such as the Gazelle Peninsula and certain parts of Chimbu District, the New Guinean farmers have vast virgin areas at their disposal. Nevertheless, land tenure disputes have constantly impeded economic development. Legally speaking, the vacant and ownerless lands belong to the public domain, but, according to the 1971 Visiting Mission, no forest is too isolated and no swampland too deserted not to be the subject of at least one claim: every piece of land has an owner.

8. As a result, clans dispute land ownership at every turn and wage set battles periodically. Also, the Administration must engage in long and delicate negotiations whenever it wishes to use a piece of land. The Administration buys the land, before leasing it to the parties concerned - non-indigenous planters and the latter complain about having to wait for their land for months or years on end. The coffee, cocoa or tea growers run the risk of seeing their profits confiscated at harvest time by artful members of their clans who claim customary ownership of the plantation.

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b/ Official Records of the Trusteeship Council, Thirty-eighth Session, Supplement No. 2 (T/1728), chap. III.

9. The Administration has tried to solve these different problems. In order to determine the land boundaries once and for all, it has set up so-called land titles commissions which base their rulings on reports from the demarcation commissions, mainly composed of indigenous inhabitants who enjoy the confidence of the villagers and know the lands particularly well. The 1971 Visiting Mission observed that, in spite of the competence of the magistrates and committee chairmen, the legislation has not achieved its purpose. According to the Mission, procedures last too long and the parties concerned grow weary of awaiting the results. The district officers settle the most urgent cases amicably without a formal hearing.

10. In order to give enterprising entrepreneurs growing cash crops the security they require, the Land Tenure Conversion Ordinance has, since 1963, laid down a procedure enabling the indigenous inhabitants to acquire individual rights of tenure over the land they occupy and to have their land registered. Although some land experts in New Guinea say they are satisfied with the implementation of the Ordinance, the most widespread opinion is that conversion, being too slow, has not led to the expected results. The richest among the indigenous planters whom the Mission met were cultivating non-registered holdings. On 30 June 1970, an area of only 1,113 hectares had been converted to individual tenure.

11. Out of the Trust Territory's total land area of some 24 million hectares, less than 1 per cent, or 207,000 hectares, is owned by non-indigenous people, and that nearly 2 per cent, or 568,000 hectares (of which almost half is leased to planters) belongs to the Administration. Nevertheless, in the Gazelle Peninsula, 43 per cent of the land and a much higher percentage of the best holdings are alienated. In New Ireland and in Manus the non-indigenous plantations account for a high proportion of the best arable land in the coastal area. In the Highlands, where tea-growing has often been introduced on drained marshland, some New Guinean growers feel frustrated because the nucleus estates of the expatriates are closer to the factory than their own holdings.

12. The Territory of Papua has a total area of 22,299,396 hectares of which 788,847 hectares are alienated. The balance is either owned by indigenous inhabitants or it is waste and vacant. Land totalling 164,773 hectares is held under leasehold tenure by lessees outside the Administration mostly for agricultural and pastoral purposes. Of this, 1,176 hectares were leased during 1969/1970. In addition, 485 allocations totalling 242 hectares were made to various Administration authorities; these figures include reservations for Administration schools and other purposes.

13. At the thirty-eighth session of the Trusteeship Council, the Special Representative of Australia stated that the new land legislation introduced in the House of Assembly had not yet been adopted by it. He recalled that some disquiet had been felt in the Trusteeship Council and also by some people in the Territory that one effect of the bills would be to facilitate the transfer of land from customary owners to expatriates. The proposed land control bill, he stated, was designed to ensure that the people were fully protected. The bill would make five major changes to the present law:

(a) It would enable the Administrator's Executive Council to lay down policy guidelines for the control of all land transactions;

(b) It would shift the day-to-day control over land transactions from the Minister, the Administrator's Executive Council and the Administrator for whom, in practice, the Director of Lands usually acted as deputy to land control boards;

(c) In most cases, transactions would be considered by local urban or district land control boards;

(d) Three of the four kinds of boards to be established allowed for representation of non-Administration persons and land-owners on them.

(e) Control over 12 kinds of common transaction would be lifted.

14. There would be four kinds of land control boards. A central land control board would consist of the Director of Lands, Surveys and Mines, as chairman; the Directors of Business Development, Agriculture Stock and Fisheries; Trade and Industry, and the First Assistant Secretary of the Division of District Administration. All but one of these persons were expatriate officers, but the departmental heads involved were all of them most conscious of the need to protect the people's rights to their rights to their land and, of course, in due time under the localization policy of the Administration more of these officials would be local officers.

15. The Board would have three main functions:

(a) To consider approval of transactions in land which became registered after adjudication under the proposed customary land adjudication ordinance where one of the parties was not a Native. The central board would first have to obtain a recommendation from the local urban or district land control board concerned, and the purpose of this function was entirely to protect indigenous owners of land from exploitation.

(b) To consider approval of transactions in land exceeding $A100,000 in value. Once again, the central board would first have to obtain a recommendation from the local, urban or district land control board concerned. It was considered that valuable properties were important national assets and their disposal should be considered at the highest level by the Central Board.

(c) To hear objections to decisions by the other land control boards.

16. District land control boards would be set up in each district consisting of the District Commissioner, two other officers, such as the District Agricultural Officer and the District Lands Officer, and three other persons appointed by the Administrator. These boards would hear applications for approval of land transactions in the districts other than those that are dealt with by local and urban boards.

17. Urban land control boards would be established in selected towns and would consist of three officers appointed by the Administrator, one of whom would be chairman, and three local government councillors or three town residents if there was no council. These boards would hear applications for approval of land transactions within the towns. Local land control boards would be set up in areas where, under the legislation, there had been systematic adjudication of customary land. They would consist of three officers, of whom one would be an Assistant District Commissioner as chairman, two local government councillors and

a majority of local land owners. It was considered that the control of transactions in land that had been previously customary land should remain with a board composed of a majority of the former customary land owners.

18. The bill also provided for the Administrator's Executive Council to lay down policy guidelines. In addition to those guidelines, the land control boards would have to take into account a number of matters when considering whether to grant approval. These included: (a) in the case of an Administration lease, whether the rent had been paid and the other conditions had been performed; (b) where the land was group land, whether the group representatives had consulted the other members of the group and were acting for their benefit; (c) whether the proposed lands under-developed Freeholds Ordinance had been complied with; (d) whether the owner had been protected from disposing of the land to his disadvantage; (e) whether the terms and conditions of a transaction were unfair to one of the parties; and (f) whether boundary features had been properly maintained when the owner had been ordered to do so.

19. The Lands Under-developed Freeholds Ordinance would provide for the compulsory sale to the Administration of underdeveloped freehold land in certain circumstances relating to the failure by the owner to comply fully with a development order served on him with the approval of the Administrator in Council.

20. While dealing with the question of land, the Special Representative also noted the concern of the 1971 Visiting Mission about areas which seemed to have been over-alienated, such as the Gazelle Peninsula. In that area, plantations which had been repurchased by the Administration had already been subdivided and, although action had to some extent been delayed by opposition from the Mataungan Association, numbers of people, who previously possessed no land, had been settled on land in accordance with the policy of the Administering Authority. The Development Bank would make as much land available in this way as possible.

21. In addition, the Administration had established a special working party, consisting of three experienced field staff. The task of the working party was to assess the needs of every village in the Gazelle Peninsula, taking into account the amount of their land which had been alienated, the amount left to them and their proximity to land which could be made available to them. The working party had compiled its report and this would be considered and used as a guide for further action in the Gazelle Peninsula.

22. One of the principal aims of the land bills is to convert the Territory's customary land tenure system by establishing a single land register in which the basic title would be absolute ownership although entire clans as well as individuals could be recorded as owners of land. The fundamental reason for the reforms is to provide a wider base for economic development and hopefully end disputes over ownership which now are a constant source of tribal wars in the Territory.

23. It is reported that the Director of Lands has named six areas where the inhabitants are at present interested in converting the tenure system. These are the Gazelle Peninsula, the area around Popondetta in the northern district of Papua, parts of the Markham Valley in Morobe District, several areas close to Madang, and areas in the Western and Eastern Highlands.

24. The Special Representative of the Administering Authority informed the thirty-eighth session of the Trusteeship Council that in the Wabag area there had been recurrent outbreaks of tribal fighting over land matters in which some people were killed. In this area there were people still alive who remembered the days before the Administration brought tribal fighting to an end. Land disputes which at that time had not been settled in the traditional way still remained unsolved. The Administration had tried to settle disputes by prescribed methods, but there was still a tendency, particularly on the part of the older men, to say "That piece of land was mine and now it is not". They stirred up trouble and fighting resumed. Many of the people seemed to see no way of settling their problems except by fighting.

25. A group of Councillors in the area had suggested tht it would be as well for the Administration to confiscate land under dispute, particularly since the parcels involved were frequently very small. They had suggested that after confiscation the land could be used for some public purpose. The Administration had not done this and was trying to prevent tribal fighting and to maintain law and order while several possible solutions of a long-term nature, such as voluntary migrations to nearby sparsely populated areas, were under consideration and were being discussed with the people.

26. Land administration and registration are among the most complex problems in the Territory and disputes involving land lead to more civil disorders in the indigenous society than any other matter, according to a statement of the Director of Lands reported in the press in May 1971. He said that the Land Titles commission had before it at the end of March some 1,200 separate claims concerning ownership of customary land. According to another press release, for example, there are more than 800 land-owning groups in Eastern Highlands District, and nearly everyone is involved in at least one dispute over unoccupied land.

27. With the introduction of land legislation, several groups have publicly urged that care be taken to ensure that the legislation is not so involved that easy interpretation and implementation would become virtually impossible. A group of seven lawyers who, according to their letter appearing in the press, represent the majority of legal practitioners in private practice in Port Moresby, said that, after having perused the legislation, especially the Registered Land Bill and the Land Control Bill, they were disturbed at the proposed proliferation of land control boards, at allegedly unnecessary restrictions on transfers, and the abolition of the Torrens title system which is recognized internationally.

28. A senior lecturer in Pacific History at La Trobe University in Melbourne, Dr. A.D. Ward, released a study of the proposed laws in which he reportedly warned that great social disruption and a new class of landless people could be produced if the legislation was adopted. The likely effect of unrestricted power of mortgage in the Registered Land Bill, according to the study, was that large areas of Papua-New Guinea would pass to the banks and lending authoritities under forced sale.

29. Two church leaders, the Anglican Bishop of Papua-New Guinea and the Roman Catholic Archbishop of Port Moresby also warned, in a joint public statement, that the legislation could drastically alter or even destroy the whole pattern of life of the majority of the people. "It would be a tragedy if there were to emerge... a large group of landless citizens" which this legislation could cause to happen. They were convinced that individualization of land tenure in Papua New Guinea would

necessarily further economic development but urged that the new land legislation await consideration by the House of Assembly to be elected in 1972 or even wait until full internal self-government is attained.

30. Following these public warnings, it was reported that initial speakers in the debate on the land bills in the House of Assembly also called for delays. Finally, bowing to growing public pressure, two senior officials of the Administration, the Secretary for Law and the Director of Lands, withdrew the four land bills. Three of the bills reportedly are unlikely to be reintroduced until the Third House of Assembly is elected in 1972. The fourth, the proposed Customary Land Adjudication Bill, may be reintroduced in an amended version at the budgetary session of the House in August 1971

B. AGRICULTURE AND LIVESTOCK

31. In a Territory in which the great majority of the population lives on the land, the five year Development Programme, as the 1971 Visiting Mission has pointed out, provides for a major effort to develop agriculture. The Administration has sought to diversify production, in addition to traditional crops such as coconuts, cocoa and coffee, it has concerned itself with rubber, the oil palm, tea, pyrethrum, rice and passion fruit, so that the expansion covered different regions of the Territory simultaneously.

Copra

32. Since 1966 copra production has levelled off at around 115,000 tons, a little less than one third of which comes from indigenous plantations; the slight increase in price has not been enough to lessen the dissatisfaction of growers.

33. Indigenous growers in Papua New Guinea produced a total of 43,801 tons of copra for the year ending 30 June 1969, compared with 38,644 tons at 30 June 1968. Non-indigenous growers produced 89,115 tons for the year ending 30 June 1969, compared with 91,285 at 30 June 1968.

34. The copra industry is supported by a fund which totalled $A9,258,631 at 28 February 1971 and which earned interest of about $A270,000 during the eight months from 1 July 1970 to 28 February 1971. The bounty of $A3 per ton paid to copra producers in 1969/70 has been continued in the 1970/71 financial year involving an expenditure of $A265,000 for the eight months ended 28 February 1971. The total payment for 1970/71 will be approximately $A390,000, the same as for the two previous years. In May 1971 the Copra Marketing Board announced that prices for all grades of copra had been cut by $A9 a ton.

Cocoa

35. Indigenous growers produced a total of 5,833 tons of cocoa for the year 1968/69, compared with 5,546 tons in 1967/68. Non-indigenous growers produced a total of 18,134 tons in 1968/69, compared with 19,189 tons in 1967/68. According to the 1971 Visiting Mission, the rapid increase in the areas planted in cocoa by the New Guineans, especially in the New Britain holdings, has been offset by the slow expansion of the European plantations. The production of cocoa has thus remained stable. Despite the efforts of the plant pathology service, die-back continues to assail the Territory's cocoa trees.

36. One of the outstanding problems which the Administration has encountered with the Mataungan Association of the Gazelle Peninsula concerns what was formerly known as the Tolai Cocoa Project. Initially the cocoa fermentaries were established by the separate local government councils. On the formation of the Gazelle Peninsula Local Government Council, control of the fermentaries passed to it. Later, when the so-called multiracial council was formed the fermentaries continued to be administered as a council project. The Administration arranged for an expert to look at the operation and one of his recommendations was that the project should be turned into a public company. The Administration arranged for a poll to be taken among all cocoa producers of the area and the majority of them agreed with the proposition to form a public company. The public company was to be controlled entirely by the Tolai people and was to have no expatriate interest in it at all. The company was duly formed as the New Guinea Islands Produce Company and the 18 cocoa fermentaries were turned over to it. This created trouble with the Mataungan Association supporters, some of whom decided not to sell their produce to the new company. The Mataungans are in the process of setting up their own company and they demanded the payment of $A650,000 for their interest in the fermentaries, which had originally been built with loan money guaranteed by the Administration. The Administration did not agree to pay this compensation since it was satisfied that the transfer of the fermentaries from the Council to the company was legally correct. However, the Administrator has announced that, although he is satisfied that the Administration's agreement to the transfer was legally correct, there are some moral aspects which require further consideration. The Administrator has said that the Administration, while promising nothing, would give further consideration to these moral aspects.

Rubber

37. Of the 5,876 tons of rubber produced in the Territory for the year ending 30 June 1969, indigenous growers contributed only 26 tons. According to the 1971 Visiting Mission, the rubber plantations are not yet in production and their area is increasing more slowly than expected; the drop in prices and misgivings about the future of the Territory have both contributed to the growers' lack of enthusiasm.

Coffee

38. Indigenous growers produced a total of 14,943 tons of coffee for the year 1968/69, compared with 9,635 tons for 1967/68. Non-indigenous growers produced a total of 6,196 tons for 1968/69, compared with 5,259 tons for 1967/68.

39. The Development Programme has set no target for coffee-growing, coffee being the only important crop of which more than half (approximately 70 per cent) is produced by indigenous growers. The farmers of the Highlands, according to the 1971 Visiting Mission, have taken to it readily and have made it their usual source of money income. Output, which was under 15,000 tons in 1968, exceeded 20,000 tons the following year, and the Territory will henceforth be affected by the restrictions of the International Coffee Agreement.

Oil palm products

40. The 1971 Visiting Mission reported that the oil palm plantations have exceeded expectations. In 1969/70, approximately 1,200 hectares were planted instead of 1,080. This result is attributable to the success of the complex operation

initiated at Hoskins in West New Britain. Indigenous settlers from various regions of New Guinea have been installed on six-hectare blocks close to a concession and an oil plant half-owned by the Administration and half by Harrison and Crossfield. The inhabitants of neighbouring villages have also been encouraged to plant oil palms. As the project proved increasingly successful, the areas to be planted by the settlers at the one hand, and the company and the villagers on the other, have been extended respectively to 4,800, 4,000 and 800 hectares. When the 1971 Mission visited the area, 562 settlers had already been installed.

41. It is reported that the $A14 million oil palm project was officially opened by the Minister for External Territories on 14 July 1971. The scheme, reportedly the most important agricultural development in the Territory since the first major coffee plantings in the highlands twenty-five years ago, will contribute an estimated $A7 million a year to the income of the Territory when fully in operation.

Other crops

42. Rice production, although small according to the 1971 Visiting Mission, and amounting to approximately 2,000 tons, has risen sharply in East and West Sepik, and could easily find a market in Papua-New Guinea which consumes 43,000 tons per year, but the local price is higher than that of rice imported from Australia.

43. Tea, grown in the Western Highlands under the system of association between European concessions and small indigenous holdings, is of excellent quality and high yield, according to the Mission but, in the eyes of the local growers, it requires too much effort for little profit.

44. Pyrethrum, which is produced solely by indigenous planters, increased from 457 tons in 1968 to 769 tons in 1969. Fertility problems appear to be widespread and a series of fertilizer observation/demonstration plots is being established throughout the main production areas. A programme of selection and testing should produce superior planting material within three years.

45. Small-scale commercial tobacco leaf production continues in the highlands. Trials of flue-cured tobacco production in Eastern Highlands District of New Guinea and the Central and Northern Districts of Papua have shown the Eastern Highlands to be most suitable for production. Commercial production has begun.

46. According to the 1971 Visiting Mission, the Territory's production of tropical food-stuffs is still low in terms of world output. In spite of the efforts pursued for some 10 years, it is still concentrated too intensively in the islands, whence apparently 60 per cent of the Territory's output now comes. It is still too dependent on non-indigenous growers who produce more than two thirds of the copra, almost three quarters of the cocoa and approximately 30 per cent of New Guinea's coffee.

Livestock

47. The principal livestock are pigs, owned mainly by the indigenous inhabitants, and cattle. Donkeys, goats, sheep, horses and poultry are also kept. The 1971 Mission noted the good results of the steps taken to improve pig-raising, to

develop cattle, one tenth of which (7,600 out of 63,000 head) belongs to the indigenous inhabitants, and to interest the people in poultry raising. Government subsidies, intended to promote the importation of high-quality Australian bulls and cows, were recently increased and range from $A74 to $A110. During the year 1969/70, 772 cattle were imported. Of these 603 cattle were imported for private graziers and were mainly Brahman crossbred animals.

48. The Administering Authority informed the Trusteeship Council at its thirty-eighth session that the number of cattle in the Territory was increasing at a rate of about 20 per cent per annum and totalled some 82,000 head. During the period July 1970 to March 1971 about 190 cattle were imported for private graziers under the scheme, referred to above, whereby subsidies are granted to reduce the cost of transporting animals of above average quality to the Territory. An increasing number of Territory bred female stock was being sold by private pastoral companies to indigenous farmers, either at auction or through private sales arranged by field officers of the Department of Agriculture, Stock and Fisheries. Some 850 cattle were sold in this way during the year.

49. During the year 28,413 day-old chickens and 1,035 day-old ducklings, were imported into the Territory, mainly for the commercial poultry farmers located near the larger towns. At the animal industry centres at Goroka, Lae and Kurakakaul, day-old chickens were reared to eight weeks of age for sale to villagers. Eight thousand birds were distributed during the year.

50. The Territory's first public abattoir was opened at Tiaba near Port Moresby in February 1965 and has encouraged local cattlemen to breed more beef cattle, thus increasing the supply of fresh meat for the Port Moresby public. The Territory, however, is almost entirely dependent on imports for meat and animal products.

C. MARINE PRODUCTS

51. The current annual report of the administering Power states that, in 1970, the Fisheries (Licensing) Ordinance 1966 was amended to include provision for the licensing of processing ships, thereby allowing for modern developments within the industry.

52. Of the original five companies which entered the Papuan prawning field in 1969, four were still operating in 1970. As catches were moderate further expansion was unlikely, especially as international high seas prawning had somewhat recovered.

53. An Australian-Japanese joint venture commenced a 12-month survey of skipjack tuna resources in New Guinea waters in March 1970. Results to date indicate the existence of commercial quantities of skipjack in these waters. If the company decides to undertake permanent commercial operations in the Territory, it will be required to train and employ indigenous personnel, establish shore-based processing facilities and provide for future local equity participation in the company. Two additional joint ventures were expected to begin surveys of skipjack resources in New Guinea waters in December 1970; if these are successful they would provide further opportunities for indigenous participation. The

Minister for External Territories has announced to the press that nine Japanese fishing experts would visit Madang in mid-1971 to make a feasibility study for a major fisheries terminal in that port.

54. According to the 1971 Visiting Mission, loans from the Development Bank, especially for the purchase of boat engines, the advice given by the Fisheries Service and the establishment of small freezing plants have resulted in increased production during recent years. At Kavieng, fish sales almost tripled in the last quarter of 1970. Nevertheless, the Mission considered that fishing did not occupy a place commensurate with its potential in the Territory's economy.

55. The interest shown by Japanese industry in New Guinea may change this situation. Even before the survey around Manus (scheduled to last 12 months) was completed, the tuna hauls of the Itoh company's boats were sufficiently large for the next stage to be considered, namely, the construction of a plant for processing 10,000 tons of fish. The 1971 Visiting Mission was of the opinion that, if this project is carried out, the Administration should ensure that the traditional fishing rights of the indigenous inhabitants, especially on certain atolls, are respected by the concessionary company and that New Guinean fishermen are associated with the operation of the plant.

56. It is reported that a second crocodile breeding project has been proposed by the Administration near the Chambri Lakes in East Sepil District. The Lake Murray Crocodile Project was established in the Gulf District of Papua in 1969. There were 353 crocodiles in captivity. The original purpose of the project was to keep detailed statistics of growth and feeding.

D. TIMBER

57. Timber production, mainly in West New Britain (74.6 million superficial feet) and Morobe (52 million superficial feet), according to the 1971 Visiting Mission, has fallen far below the estimates of the Development Programme because of the loss of overseas markets. It amounted in 1970 to a total of 174 million superficial feet, representing a value less than that of copra and coffee but more than that of the cocoa produced in the Territory. Revenue in 1970 for the Territory as a whole was slightly more than one quarter of the expenditure of the Forestry Department.

58. The cut-over method is sometimes used in the forestry of the Territory. This method is equivalent to clearing the land and enables it to be used for agriculture where the soil is rich enough, but it involves the total destruction of the forest cover, including the young non-marketable trees. Although the forestry entrepreneurs open up roads, which benefits the entire community, it appears that the indigenous inhabitants are not always associated to an adequate extent with the procedure for granting permits and therefore sometimes feel frustrated. Recently, in West Sepik, at Gogol near Madang, and at Open Bay in New Britain, the Administration had considered the issuing of permits for very large areas. The most advanced project, in Gogol, covers 49,200 hectares. The Honshu Company which has carried out some experiments (the first ever to be made in a tropical region) with chips for the manufacture of liner boards, has expressed an interest in this project.

59. The holders of forestry permits are all non-indigenous. Without overlooking the financial and technical difficulties of forest exploitation, the 1971 Mission considered that the Administration should encourage the establishment of New Guinean entrepreneurs. As has recently happened in other developing countries with forests, the first permits could be granted to joint associations of indigenous inhabitants and expatriates.

60. At 30 June 1970, the area under exploration within the Trust Territory was 700,605 hectares, with a timber yield of 174,403,000 super feet. Similar figures for Papua are not available. The recovery of the industry following the 1968/69 recession was reflected in the export of logs for the year which showed an increase of almost 100 per cent over the previous year.

61. During 1969/70, timber rights over six areas totalling 22,364 hectares had been purchased. Survey work carried out included a boundary survey of areas purchased, a logging plan survey over 231,280 hectares, including 245 hectares of sample plots. Negotiations for the granting of permits in respect of the Madang and West Sepik areas were well advanced and feasibility studies were progressing for the establishment of integrated forest industries. There were 53 permits covering 612,032 hectares and 32 licences covering 62,165 hectares current at 28 February 1971.

62. The quantity of logs used by sawmills exceeded 73 million superficial feet. At 30 June 1970, there were 59 mills in the Territory of which 13 cut more than 10,000 superficial feet per shift.

63. The Special Representative informed the Trusteeship Council at its thirty-eighth session that despite support, sawmills owned by local persons had not been successful and many operations owned by expatriates had been too marginal in profits to encourage local persons to take up shares. It was felt that the best way to deal with the Territory's difficult forest resources was by way of large enterprises which offered economies of scale. In sound enterprises investment could be arranged in such a way that the organization concerned could offer equity and could also be required to offer maximum employment and training to the local inhabitants. Such enterprises could also be encouraged to add as much value to the product in the Territory as possible, thereby making a maximum contribution to infrastructure.

E. MINING

64. Copper. The 1971 Visiting Mission stated in its report that even before beginning operations, the copper, gold and silver mine at Panguna, in Bougainville District, had transformed the country's economy and disturbed its political unity. Bougainville Copper Pty. Ltd. (BCP) was an enterprise of international dimensions on a rugged and sparsely populated island, and by the time its installation was completed it would have invested more than $A350 million. c/ A port, having its own electrical generating plant with an installed capacity five times greater than that of all the rest of New Guinea, would be linked to a town with a population

c/ Later it was reported to have invested $A400 million.

of 10,000 in the heart of the mountains by a broad metalled road for surface communication and a system of pipelines for the transport of ore concentrates.

65. Under a contract dated 7 June 1967 and approved by the House of Assembly on 30 August 1967, the company, which had been given a 42-year lease, entered into a number of commitments for the benefit of the Territory or of the local population - an annual rent of $A1 per acre, an annual royalty of 1-1/4 per cent of the f.o.b. receipts for shipments of metal, provision of public roads, wharves and water and electricity mains, cession of one fifth of the equity capital, preferential employment of local personnel, and granting of a first option to New Guinea on the use of the material produced.

66. In return, the company would be allowed a three-year tax holiday, deductions for expenses on its subsequent returns, a ceiling of 50 per cent on the rate of income tax it would pay, and the right to import its equipment free of duty. It had been calculated that during the first 10 years BCP would be paying the Territory between $A200 million and $A300 million.

67. The population would receive 5 per cent of the income from royalties, as a result of a change in the mining laws; a rent of $A2 per acre per year under an agreement with the company, to be reassessed every seven years; and replacement by a durable building of any traditional housing that might be damaged. The Mission also reported that the local people sent their children to schools built by the mining company and that the company spent about $A6,000 per week on purchases of food from local farmers.

68. The fact remained, said the Mission, that the installation of the company had not gone smoothly; there had been two years of sometimes violent dispute between the population on the one hand and the company or the Administration on the other. In 1968, a group of Bougainville residents, including two members of the House of Assembly, had called for a referendum on whether Bougainville should secede from or remain part of the Territory. The Napikadoe Navitu Association had renewed this demand to the Visiting Mission at Kieta.

69. Without going into detail on the complex matter, the Visiting Mission expressed the view that while it was true that the United Nations had thus far disapproved of attempts to secede, and that the commencement of operations at Panguna gave an island which had hitherto been poor and lacking in amenities a unique opportunity to raise its level of living substantially; nevertheless, mistakes had undoubtedly been made. The people of Bougainville would like the profits from the mining operations to accrue to the island rather than to the rest of the Territory, which they believed had long neglected them. They feared a relapse into poverty when the mine was worked out.

70. The Mission further stated that the Administration and the company had done much in the past two years to make amends for their initial miscalculations. BCP was hiring and training indigenous personnel, with high hopes of being able to place them in responsible positions. It was trying to involve an increasing number of Bougainville residents in the giant Panguna venture. Consideration had to be given to the establishment on the island of new sources of work entirely unconnected with the mine and constituting a separate and continuing source of wealth to the local population. A serious problem would arise shortly, namely, the placement of 7,500 employees who would be laid off when the mine began operations. The Mission considered that a re-employment programme should be instituted for these employees.

71. The Special Representative of the Administering Authority informed the Trusteeship Council at its thirty-eighth session that the Administration had now taken up the question of the 20 per cent equity which would be held in trust for the people of the Territory. Recently the company had issued a prospectus and invited contributions of capital and a special provision had been made for 1 million shares to be made available to bona fide Territory residents at a price of $A1.50 per share. d/ There had been a good response from the people of Bougainville and throughout other parts of the Territory. The maximum number of shares which might be purchased by any individual was 200 and the minimum 20. The company had also reserved a percentage of the shares to establish the Panguna Development Foundation, Ltd. e/ which was designed to assist first, the Bougainville people and subsequently, other people in the Territory to establish themselves in business ventures. Part of the agreement with the people of Arawa had been that the company would assist them in establishing a tavern and a supermarket. Land had been reserved in the town of Arawa for indigenous enterprises. The troubles experienced in the mine area in Bougainville appeared to have largely been settled and the operation seemed to have the support of a great majority of the people. Earlier opposition had been based on fear of unknown changes which had now been dissipated since benefits to the people had begun to flow. Additionally, now that the area of land affected by the operation was visible, it was evident to everyone that only small portions of land relevant to the whole of Bougainville were involved. The company was doing its best to meet all reasonable requirements of the local people, not only within the mine area but also outside it.

72. The Special Representative stated that employment contracts for Papuans and New Guineans on the Bougainville project contained a repatriation clause. As employees were laid off they would be either re-employed or returned to the areas from which they had been engaged. These workers, many of them unskilled, had been recruited only for work in the initial stages of development. The Panguna Development Foundation, Ltd. would assist Papuan and New Guinean entrepreneurs to establish themselves in business and this would help the employment situation. There were also ample opportunities for work on plantations in Bougainville where labour was scarce. People with any skills would undoubtedly find it relatively easy to find employment elsewhere in the Territory and industrial development generally in the Territory should absorb many. The Administration was closely watching the situation and it was not likely that there would be any long-term serious problem.

Other mineral projects

73. The 1971 Visiting Mission reported that while there could be no expectation of the early commencement in the Territory of other operations on the scale of those at Panguna, New Guinea's future with regard to minerals appeared to be quite encouraging. Prospecting for petroleum was continuing in the Madang and Sepik districts and explorations for possible copper deposits north and south of Telefomin were being carried out in particularly difficult conditions. Kennecott Exploration was making geological surveys throughout the mainland part of the Territory; in Manus, more than $A400,000 had been spent in exploring for copper. Generally speaking, the wave of prospecting which had been sweeping Australia for several years had extended to the Territory for which it exercises responsibility.

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d/ It was reported that on 11 May, almost 19 million shares were made available.

e/ The Foundation reportedly intends to sell its shares to Territory residents before 1983.

74. It is reported that the search for oil has been going on in the Territory since shortly after the turn of the century. So far the only return from oil exploration has been on the negative side, i.e., tax concessions. Oil was first identified as seeping from the ground near the mouth of the Vailala River on the Papuan Gulf in 1911. In the late 1950s and again more recently, oil has flowed at both land and off-shore sites. But the quantity has not been sufficient to be commercialized. A number of companies have discovered fairly large reservoirs of gas but these too have not been commercialized. A recent statement by the Chairman of Oil Search, Ltd. indicated that Japanese interests might purchase the gas sometime in the future.

75. Oil Search owns 52.5 per cent of the Australasian Petroleum Co., Pty., Ltd. (APC) which has spent $A74 million looking for oil. APC is also 38.3 per cent owned by the British Petroleum group and 9.2 per cent by Mobil Oil Australia, Ltd. It has drilled 26 test wells in Papua and is about to begin its twenty-seventh. This well is in the Southern Highlands District of Papua, not far removed from explorations being made by the Texaco Overseas Petroleum Co. and California Asiatic Oil.

76. In March 1971, it was reported that the Minister for External Territories had announced the successful applicants for petroleum exploration permits in four areas off-shore from Papua: near the Trobriand Islands (a consortium of Amoco Australia Exploration Co., Australian Oil and Gas Corp., Ltd. and Southern Pacific Petroleum NL); near the D'Entrecasteaux Islands (West Pacific Oil Pty. Ltd.); off Milne Bay (Texaco Overseas Petroleum Co.); and near the Louisiade Archipelago (Hematite Petroleum Pty. Ltd.).

77. Also in Papua, in the Western District, oil explorations have been reported along the Nomad River by Texaco and copper explorations by Kennecott in the Star Mountains. Pacific Island Mines, Ltd. and Planet Metals, Ltd. have entered into a joint venture to explore for lateritic nickel and other base metals on Normandy Islands, Milne Bay District.

F. MANUFACTURING INDUSTRIES

78. The 1971 Visiting Mission stated in its report that industry in New Guinea was aimed not so much at the export of manufactured products as at the reduction of the volume of certain imports or the primary processing of agricultural or forestry products. It was therefore generally made up of small units. Nevertheless, it was expanding at the quite rapid rate of 13 per cent per year envisaged in the development programme. An encouraging sign to the Mission was that the output of mechanical industry had become greater in value than that of the food and beverage industry. It was noted with regret, however, that cement, imports of which exceeded $A1 million in 1970, was not yet being produced in the Territory.

79. Following the establishment in 1969 of an Advisory Committee on Tariffs, some small measure of customs protection was being given to goods manufactured in the Territory. This protection, the Mission thought, should be maintained at such a level as to shelter recently established local factories - and their workers - from excessive outside competition without raising the cost of living or indirectly impairing the "open door" system.

80. The Mission pointed out that apart from a few sawmills and carpenter and furniture-making shops, industrial establishments were owned by expatriates. A United Nations expert had completed a mission on indigenous extrepreneurship in the Territory and had suggested a co-ordinated programme for the development of small New Guinean industries.

81. During 1969/70, 109 foreign companies, that is, companies incorporated outside the Territory and carrying on business in the Territory, were registered and three were deregistered, making a total of 469 foreign companies in the Territory as of 30 June 1969. According to the administering Power, many of these companies operate through agents, usually a local company or firm, and the exact amount of capital actually invested in the Territory is not known.

82. The Business Name Ordinance, 1963, requires every person or group of persons carrying on business in the Territory under a name other than the true names of all the members of the business to register the business name in accordance with the Ordinance. At 30 June 1970, there were 1,949 such names registered.

83. For the period 1969/70, the number of indigenous inhabitants borrowing from the Development Bank rose to 1,253, compared with 230 non-indigenous persons in the same period. The amounts borrowed by indigenous persons rose to about $A1,875,400, compared with about $A3,186,500 borrowed by non-indigenous population. Indigenous borrowers accounted for over 83 per cent of all borrowers and for over 35 per cent of the amount borrowed in the year ended 30 June 1970. Loans to Papuans and New Guineans rose 70 per cent in the first eight months of 1970/71. Total loans approved for indigenous persons during July 1970 to February 1971 was 1,077 for $A1,197,976.

84. In regard to training and business management, current thinking has been that a small business administration with high-level direction and ample resources should take charge of this area. The sum of $A468,000 has been made available to assist the Co-operative Education Trust under the United Nations Development Programme. In addition, the Administration is financing the construction of a college at an estimated cost of $A300,000. A United Nations Industrial Development Organization (UNIDO) consultant recently commenced an investigation in the Territory for the purpose of advising the Administration on ways and means of promoting further indigenous entrepreneurship.

85. The report of the consultant has been received by the Government in the Territory and is being examined by a committee of officers with a view to submitting proposals for action by the Assistant Ministerial Member for Business Development and the Administrator's Executive Council.

86. The 1971 Visiting Mission, in referring to the recently established Department of Business Development, observed that it was a necessary step, because the Territory still lacked not only New Guinea businessmen but also those indigenous small craftsmen and traders who, in many developing countries, contributed to the economic expansion of small stations in the interior. The Mission also referred to the draft ordinance to set up the Investment Corporation of Papua and New Guinea which was put before the House of Assembly by the Administration in 1970. This bill, which was passed into law by the House of Assembly in March 1971, provided that the Investment Corporation had to reserve for certain natural or juridical persons, such as New Guineans, the Administration of the Territory, the local government councils, the co-operative societies and

the Development Bank, a share of participation in the capital of the most important businesses financed or controlled by third parties, or whose financing came largely from abroad. The Visiting Mission was of the view that, provided its resources were adequate, the Investment Corporation would in all probability be an effective instrument for directing the Territory's economy.

87. A spokesman for the Administrator's Executive Council stated in February 1971 that the Council had approved proposals for the advancement of indigenous businessmen in certain fields and measures to provide them with a degree of protection against excessive competition. The measures endorsed by the Executive Council included the repeal of the Trading with Natives Ordinance and the Licences (New Guinea) Ordinance and their replacement by a licence to trade ordinance. The proposed new ordinance would make provision for preference to Papuans and New Guineans in the issue of new trade store and similar licences to conduct small business. A bill for the new ordinance was to be introduced in the June session of the House of Assembly. Steps were also being taken to reserve selected commercial lands for Papuan and New Guinean entrepreneurs.

G. CO-OPERATIVES

88. The largest and oldest form of indigenous business enterprise in the Territory is the co-operative movement. The administering Power has made every effort, according to the 1971 Visiting Mission, to encourage the co-operative movement. Co-operative societies have proliferated in the Territory and, in 1969, there were 158 societies in Papua and 171 in New Guinea, with an aggregate membership of nearly 130,000 and a capital of more than $A3 million.

89. The inefficiency or dubious practices of some of their managers, the Mission stated, had forced some societies, particularly those engaged in the retail trade, into dissolution or even bankruptcy. Although consumers' co-operatives had often failed at the retail level, the Co-operative Wholesale Society, which bought and sold wholesale had a turnover of several hundred thousand dollars. The producers' co-operatives, which processed and marketed export products, had sometimes managed to operate on the scale of big enterprises: The Finschhafen Society, which had 9,500 members and an over-all turnover of $A900,000 had had to break up into 13 branches; the Chimbu Society processed coffee worth about $A1.4 million a year for its 18,000 members. The defect common to the Territory's co-operative societies was lack of leadership and insufficient education to manage and promote the business. The indigenous directors, who were often illiterate, had to depend entirely on the decisions and honesty of their managers and on the advice of the officials provided by the Administration's co-operative society service. As regards the copra marketing societies, the establishment of the Copra Marketing Board had encouraged producers to leave their societies and sell direct to the Board.

90. In a recent press statement, the indigenous secretary of the Department of Business Development, Mr. Paulias Matane, said that, although the rate of failure among co-operatives had increased in recent years, the success ratio was still well above that for small businesses in many advanced Western countries. He said that co-operatives had an extraordinarily high success ratio of more than 90 per cent during the first fifteen years of operation.

91. The United Nations Development Programme (UNDP) and the International Labour Organisation (ILO) have provided six experts in various aspects of co-operative training to assist with the establishment of the Co-operative College, the first stage of which was to be operational in May 1971. The UNDP was also to provide books, teaching equipment and some transport for the project.

H. COMMERCIAL TRADE

92. The value of Papua New Guinea's external trade continued to rise. Exports totalled approximately $A93,746,000 in 1969/70 compared with $A75,244,000 in 1968/69. Imports rose from $A150,455,000 to approximately $A214,161,000 in 1969/70

93. The deficit in the Territory's balance of trade, according to the 1971 Visiting Mission, had become considerably worse during the past six years; although the value of exports had increased by about 75 per cent between 1965 and 1970, the value of imports had almost tripled. This apparent deterioration in the trade balance was actually a result of the considerable capital development effort that was being made in New Guinea. It is significant in that purchases of food and beverages had only doubled while imports of machinery had increased nearly fivefold. The figures for 1970 should, of course, be interpreted with caution, the Mission warned, as the purchases by the Bougainville company would not recur in the following year, but, even if they were deducted from the total, imports still showed a healthy pattern.

94. The relatively slow growth of exports was due partly, the Mission continued, to the fact that investments in agriculture were not immediately productive. When the Panguna mine, which should annually produce from 150,000 to 170,000 tons of copper, 500,000 ounces (14.1 tons) of gold and 1 million ounces (28.3 tons) of silver, began operations there would be a change in the pattern of New Guinea's external trade; the main export item would be mineral products, and the balance should become positive.

95. According to the Mission, a more thorough analysis of the Territory's trade statistics and a study of the Territory's relations with its five main trading partners showed that three of the latter - Australia, Japan and the United States - sold more to New Guinea than they purchased from it, while the United Kingdom and the European Economic Community (EEC) had a deficit balance. This contrast between selling and purchasing countries had become greater in recent years. It would also be noted that mainland China was expanding its sales but was not purchasing any New Guinean products. The countries of South-East Asia and the Pacific, many of whose products were competitive with, rather than complementary to, those of New Guinea, appeared to have some difficulty in increasing their purchases at the same rate as their sales. Nevertheless, Japan, which had contracted for the purchase of 1 million tons of Panguna copper and was interested in forestry and fishery projects, should shortly restore the balance of its trade with the Territory.

96. The Mission also pointed out that the Administration and some members of the House of Assembly were apprehensive of the consequences if the United Kingdom

should enter the EEC. A mission from the Territory had visited Europe in 1970 to inform Governments of New Guinea's concern. At present, the Territory's agricultural products were freely admitted into the United Kingdom and were protected by a preference of 15 per cent in the case of copra and 10 per cent in the case of palm oil; although the EEC did not impose any duty on copra, its other duties were 7 per cent on coffee, 6 per cent on palm oil and 4 per cent on cocoa. It was, of course, for the United Kingdom alone to decide whether to ask the EEC to allow special treatment for New Guinean products, as it had done in the case of Commonwealth sugar. Also, of course, the EEC might object that it was already the Territory's largest customer but was still a minor supplier.

97. The Territory's balance of current payments was in deficit, the Mission stated, when the negative balance of invisibles was added to that of foreign trade, and in 1970 for the first time in 10 years, Australian grants and direct expenditure had been unable to restore the balance.

98. In May 1971, it was reported that the Minister for External Territories had announced a major drive to promote the Territory's exports and attract more foreign investors to Papua New Guinea. The Special Representative informed the Trusteeship Council at its thirty-eighth session that the Minister had also made known that the EEC had granted concessions to developing countries, including the Territory, in the case of manufactured products. The concessions would not benefit the Territory much at present but would do so when it began to export manufactured products. During the June 1971 negotiations in Luxembourg, at which agreement was reached on the United Kingdom's entry into the European Economic Community, both Mr. Douglas Anthony, the Australian Deputy Prime Minister, and Mr. N.J. Thomson, the Territory's Director of Trade and Industry, were reportedly present in order to safeguard Papua New Guinea's case for special concessions, among other things.

I. LABOUR

99. It is estimated that there were 154,000 indigenous wage and salary earners at 30 June 1970. Actual statistics for June 1969 and June 1970 are not yet available. In 1968, primary industries employed 45 per cent of wage earners; in 1963, 56 per cent. Building and construction employed 11 per cent in 1968; in 1963, 6 per cent. Manufacturing and sawmilling employed 7.5 per cent in 1968; in 1963, 3.6 per cent.

100. At 30 June 1970, there were 27 workers' associations in the Territory. The membership of trade unions and workers' associations was 22,509 in December 1970, including 2,752 expatriates. The Federation of Workers' Associations of Papua-New Guinea was registered as an industrial organization in March 1970. The present members, according to the 1971 Visiting Mission, include the Lae, Madang, Northern District, Goroka, Wewak and Rabaul workers' associations.

101. The Mission considered that workers' organizations were still weak and that assistance from the ILO could be of value.

102. As previously reported, a board of inquiry was established in January 1970, under the Industrial Relations Ordinance, to investigate and report on the level and component of the rural minimum wage for the Territory. The Board was required to consider the needs of employees and the capacity of the economy to pay. It also studied increased efficiency of management.

103. The Board of Inquiry submitted a comprehensive report to the Administrator in September 1970. Its recommendations included the following: (a) that the Territory minimum wage should be determined at a new level of $A6.40 per week; the increase to take place over a two-year period and the first year to be at $A5.90 per week; (b) that (unless otherwise agreed between employer and employee) an all cash wage be introduced to the Territory in place of the present cash and kind wage and it was suggested that the implementation of such a cash wage should be phased in over three years; (c) that all workers should be entitled to two weeks' annual leave and that such leave could under certain circumstances be cumulative. In addition the Board recommended that sick leave be introduced for all rural workers on a basis of four days per annum accumulated to 20 working days; (d) that a wages, income and prices board be established. Such a board should look into the question of the level of minimum wages and conditions of employment; and (e) that the agreement system of employment be phased out.

104. In November 1970, a bill granting an interim increase of 50 cents (Australian) per week in the minimum wage was adopted in the House of Assembly and became effective from 1 January 1971. In March 1971, extensive amendments to the Native Employment Ordinance 1958-1970 and the Industrial Relations Ordinance 1962-1970 were also adopted by the House of Assembly. The effect of these amendments was to: (a) establish a Minimum Wages Board for the Territory of Papua-New Guinea to determine future wage rates; (b) introduce into the rural sector the concept of an all cash wage to be paid to all workers (with appropriate deductions on agreement between employer and employee); (c) provide a further increase in the wage of $A5.90 per week with the proviso that any future increase be left to the Minimum Wages Board.

105. The Special Representative informed the Trusteeship Council at its thirty-eighth session that it was anticipated that a bill introducing a complete new employment code embodying other acceptable recommendations of the Board would be introduced in the House of Assembly later in 1971.

106. During recent years the Territory of Papua New Guinea had had a system of industrial relations which permitted the development of: (a) a stable work force, (b) trade unions, and (c) a system of wage determination which suited the economy during this particular era. Whilst this system had proved to be valuable and generally acceptable, the rapid social, political and economic advances, together with the development of secondary industries in the Territory, had made it necessary to consider a different approach to the solution of industrial problems. Such an approach, in view of the nearness of self-government, had to be inherently Territory-wide in application and had to embody the principles of responsible participation and involvement of major industrial groups operating within the framework of the Territory's economy.

107. Following research and discussion by Administration officers, the Ministerial Member for Labor, Mr. Toua Kapena, had submitted a proposal to the Administrator's Executive Council in August 1970, seeking approval of the establishment of a Labor Advisory Council, and on 9 September, the AEC had recommended approving the formation of such a council.

108. The Papua and New Guinea Labor Advisory Council would advise the AEC and the Government on labour matters generally and on the following matters in particular:

(a) Methods of improving industrial relations;

(b) Measures needed to achieve full and efficient use of the Territory's manpower;

(c) Methods of bringing about more rapid localization of the Territory work-force at all levels in the private sector, industrial training schemes in the private sector, incentives and other measures to achieve this end;

(d) Measures to improve productivity; and

(e) Trade union development.

109. The Special Representative also informed the Trusteeship Council that in addition, the Labor Advisory Council would consider other matters such as changes in the employment situation and action needed in relation thereto; any additional measures required to create a better employment placement service; unemployment and underemployment and measures needed to correct such problems; improved labour mobility; measures to improve personnel management and practice techniques suited to the Territory; particular employment policy problems; technological change; and the prevention of and protection against industrial accidents, methods of improving industrial safety, health and welfare generally.

110. The Labor Advisory Council was consultative and advisory and consisted of the Ministerial Member for Labor as Chairman, the Secretary for Labour, four trade union representatives, four employer representatives and up to four other persons appointed by the Administrator. It was reported that in fact 13 members were named to the Labor Council in addition to the Ministerial Member and the Secretary for Labour.

111. A further measure to assist industrial organization, the Special Representative said, would be implemented when the Administration established an independent body to be known as the Bureau of Industrial Relations. It would be under tripartite guidance and would provide assistance to industrial organization by acting as an advisory body when required and by stimulating and encouraging study of and research into matters affecting industrial relations generally and industrial organizations in particular. In recognition of the importance of this venture, the Australian Government had agreed to give $A50,000 as an establishment grant for setting up an office and for commencing initial programmes.

112. A bill to create a work permit scheme in Papua New Guinea has reportedly been introduced into the House of Assembly. It seeks to restrict the influx of expatriate workers in certain job categories. Its discussion is supposed to take place at the August 1971 meeting of the House.

كيفية الحصول على منشورات الامم المتحدة

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