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# 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

## ANNEX

## REPORT OF SUB-COMMITTEE I

Chairman: Mr. Rafic JOUEJATI (Syria)

Addendum

CONTENTS



69-28440

CONTENTS (continued)

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. In 1964, the Secretariat prepared for Sub-Committee I a basic working paper containing information on the economy of Namibia with particular reference to the mining industry and other foreign economic interests. This information was annexed to the report of Sub-Committee I and reproduced in the report of the Special Committee to the General Assembly. a/ In 1967 and 1968, at the Committee's request, the Secretariat prepared further working papers containing supplementary information which were likewise annexed to the Sub-Committee's reports and reproduced in the reports of the Special Committee to the General Assembly. b/ The Secretariat has also included information on significant economic developments in the Territory in the working papers prepared each year for the Special Committee. c/

2. The present working paper prepared for Sub-Committee I updates the previous papers and contains new information on the main sectors of the economy in which there is foreign investment. An effort has been made to avoid duplication of information already contained in the current Secretariat working paper on the Territory prepared for the Special Committee (A/7623/Add.2 and Corr.1, chapter VII, annex) which should be studied in conjunction with the present document.

3. As previously explained, no official data on the economic situation in Namibia have been made available to the Secretariat in recent years and, as the Territory forms part of a customs union with South Africa, there are no separate statistics on its external trade. Consequently, most of the information contained in the present working paper is derived from unofficial sources, including company reports. It should be noted, moreover, that the recent legislative action taken by the South African Government, including the transfer of a broad range of administrative, legislative and financial powers and functions from the territorial Government to the Government of South Africa and the creation of separate "homelands" for the non-white population groups, will have not only important implications for the future development of Namibia's economy, but will further reduce the amount of separate information available in respect of the Territory's economy. These measures have been fully described in the working paper prepared for the Special Committee (see para. 2 above).

4. The information which is available indicates that although there has been a substantial economic expansion over the past ten years, it has not affected the basic structure of the economy which remains heavily dependent on the production of primary goods for export, with the most notable advances being made in the mining and fishing industries. In both of these sectors, production is mainly in the hands of large companies whose capital is derived largely from South African or other foreign sources. According to a series of articles published in the

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a/ Official Records of the General Assembly, Nineteenth Session, Annexes, Annex No. 15 (A/5840).

b/ Ibid., Twenty-second Session, Annexes, agenda item 24 (A/6868/Add.1), appendix II; A/7320/Add.1, appendix II.

c/ For the most recent, see A/7623/Add.2 and Corr.1, chapter VII, annex.

South African Financial Gazette, Namibia's gross domestic product at market prices increased by nearly 74 per cent during the five-year period 1962-1967 and in 1967 amounted to R260 million. d/ The articles further revealed that the greatest increase had been in the mining sector, the value of mineral exports having risen from R65 million in 1962 to R136 million in 1967, or over 50 per cent of the gross domestic product. In contrast, the fishing industry accounted for only about R50 million, and agriculture for about R40 million in 1967. Tourism, which has expanded significantly in recent years, was said to bring in a yearly revenue of about R60 million. As further evidence of the growth of the economy, and particularly of Namibia's external trade, the articles disclosed that the volume of cargo handled at Walvis Bay had increased by 82 per cent during the five-year period, and totalled 1.5 million tons in 1967-1968.

5. According to the newspaper, the economy has not only undergone significant expansion but "is posed for big development" in the years to come. The authors of the articles state that there has been much recent development of the Territory's infrastructure and that, as a result of expenditure of more than R190 million since the Second World War, Namibia now has "an efficient transport system linking almost every important centre". The second highest priority, according to the newspaper, has been accorded to the development of water supplies expenditure which increased tenfold over the past four years, and amounted to more than R9 million in 1968. (For details see A/7623/Add.2 and Corr.1, chapter VII, annex, paras. 112-114.)

6. It should be noted, however, that most of the development which has taken place has been in industries in which Africans are able to participate only as unskilled or semi-skilled workers at wages substantially below those received by whites. The discrepancy in their respective share of the Territory's wealth is indicated by the fact that, whereas in 1967 the average per capita gross domestic product was R360, for the population as a whole, the average for whites was R1,602.

7. Recent developments in the main sectors of the economy are discussed separately below.

## A. MINING

### General

8. The mining industry continues to be the fastest growing sector of Namibia's economy. Between 1962 and 1967 the value of minerals exported rose from R53 million to a reported R136 million, or from 30 per cent to over 50 per cent of the gross domestic product. Unofficial reports indicate, moreover, that there is likely to be further expansion when recently discovered copper deposits in the Klein Aub area are brought into production (see para. 46 below). The discovery of these deposits stimulated intensive exploration for base minerals and, at mid-1967, no less than 120 geologists, mainly employed by private companies, were reported to be engaged in the search.

9. At the end of 1966, a total of thirty companies and individuals were engaged in mining, the most important being the Consolidated Diamond Mines of South West Africa and the Tsumeb Corporation (both of which have been previously described) which together accounted for over 90 per cent of mining production. About forty-six prospecting concessions were in force, covering exploration rights for diamonds, petroleum and non-metallic minerals; and there were numerous other concessions

d/ One rand equals $US1.40.

covering "all minerals, excepting diamonds and petroleum", among which copper was of major interest.

10. Probably because of this upsurge in exploration activity, the territorial "Administration", early in 1967, announced new regulations governing "foreign" (i.e., neither Namibian nor South African) investment in the mining industry. The new regulations provide that when a company controlled by persons who are not citizens of South Africa obtains mining rights in Namibia, the company must make a percentage of the shares in the new venture available to the Territory's "administrator", who will designate one or more bodies which may purchase such shares. The "Administrator" will determine the percentage of shares to be made available, which may not exceed 50 per cent.

11. Separate data on mining production in Namibia are not yet available beyond 1966. In that year, the combined value of exports and local sales of minerals was R127.1 million, of which diamonds (R84.7 million) accounted for 66 per cent; blister copper (R19.2 million) 15 per cent; and refined lead (R12.3 million) 10 per cent. The remaining 8 per cent (R10.9 million) was made up mainly by sales of zinc, vanadium, tantalite, cesium ore (pollucite) and lithium materials.

12. There is similarly no official data on the destination of mineral exports from the Territory. According to unofficial sources, in 1966 the largest recipient of diamonds, which are marketed through the Central Selling Organization in South Africa, was the United Kingdom of Great Britain and Northern Ireland, while the four largest buyers of base minerals by value were: the United States of America (R15.7 million); Belgium (R9.4 million); the Federal Republic of Germany (R3.9 million); and the Republic of South Africa (R3.3 million). The principal base mineral imported from Namibia by these countries was blister copper, amounting for the United States to 76 per cent of its mineral purchases by value, 56 per cent for Belgium and 53 per cent for the Federal Republic of Germany. Sixty-three per cent of South Africa's purchases consisted of refined lead.

13. The sale of principal minerals by value, quantity and destination for 1966 is given in the following table. For comparison, the corresponding values for 1962 are given in parentheses.

| Product | Country of destination | Value (million rands) | Quantity (metric tons) |
|---|---|---|---|
| Diamonds (thousand carats) | . . . | 84,561 (34,221) | 1,694 |
| Refined lead | United Kingdom, South Africa, United States, Italy, Japan | 12,287 ( - ) | 68,055 |
| Blister copper | United States, Belgium, Federal Republic of Germany | 19,241 ( 302) | 30,585 |
| Copper concentrates | Belgium, United States | | 4,443 |
| Lead complex concentrates | " " | | 85,191 |
| Lead metal in complex concentrates | " " | | 20,612 |
| Lead vanadium concentrates | Federal Republic of Germany, Netherlands, Belgium | 7,878[a/] (14,057) | 12,484 |
| Zinc concentrates | United Kingdom, Federal Republic of Germany, German Democratic Republic, Belgium | | 21,072 |
| Zinc metal in complex concentrates | United States, Belgium | | 1,904 |

a/ Includes other lead/zinc/copper concentrates produced in smaller quantities.

14. As previously explained (A/7320 and Add.1, appendix II, para. 13) until the mid-1960s most of the mining of base minerals was confined to Tsumeb District in the north. There were lesser centres of activity at Brandberg West and Berg Aukas, where the South West Africa Company has its mines, and at Uis, where there is a tin mine owned by the Iron and Steel Corporation of South Africa (ISCOR) a South African government-controlled corporation. Since 1965, however, two important new mining operations have been started, at Klein Aub in the Rehoboth Gebiet and at Rosh Pinah. The first is a copper mine owned by a consortium of three South African companies and the second is a zinc mine owned by ISCOR, which holds a concession covering 1,200 square miles in the southern part of the Territory. Since 1965, ISCOR has also expanded the output of tin at its Uis mine, and by 1967 the mine was reported to be producing almost all of ISCOR's requirements.

15. The most important development in 1967 and 1968 was, however, the marked increase in exploration for base minerals and for petroleum. In both cases the prospecting activity has been encouraged by the "Administration", partly in order to reduce the dependence of the Territory's economy on its limited reserves of diamonds and partly to supply South Africa's requirements of fuel oil. During 1967, the largest single concession ever granted in the Territory for prospecting minerals other than petroleum was awarded to a consortium of four Namibian and South African companies. The concession covers an area of 8,500 square miles, known geologically as the Tsumia Series, and extends from Klein Aub in Rehoboth District to the Botswana border. The consortium undertook to spend a minimum of R1 million on prospecting over a five-year period. Additional exploration concessions were also granted to the Tsumeb Corporation, the Territory's largest producer of base minerals, and to other companies not previously involved in mining in Namibia. Among the latter is the Etosha Mineral Company, a new company formed during the year, whose parent organization, Brilünd Mines of Canada, also controls the Etosha Petroleum Company (see A/7623/Add.2 and Corr.1, chapter VII, annex, para. 104). The Etosha Mineral Company which is separate from the petroleum company of the same name, was awarded several prospecting concessions in the Police Zone and in the northern Native reserves. Both the Klein Aub Company and the Etosha Mineral Company have already reported the existence of important bodies of base minerals on their concessions (see paras. 46 and 47 below).

16. In 1968, eight major concessions covering a total of 87,214 square miles (of which 26,764 square miles were off-shore concessions) were granted in respect of exploration for petroleum or natural gas. The recipients of these concessions were: Shell and British Petroleum (United Kingdom); De Beers Consolidated Mines (South Africa) in association with Société Nationale de Pétroles d'Aquitaine (France); Gulf Oil Company (United States); Chevron Oil (a subsidiary of the Standard Oil Company of California, United States); and H.M. Mining and Exploration Company in association with Syracuse Oils (United Kingdom) and Woodford Oil and Gas Company, Ltd. (Canada). Details of these concessions are contained in chapter VII of the Special Committee's present report (A/7623/Add.2 and Corr.1, annex, paras. 99-103).

17. In December 1968, the Bethlehem Steel Corporation (United States) announced plans to investigate the large-scale mining of fluorspar deposits in the north of Namibia. No further reports have so far been received, however, to confirm this intention.

18. Further information concerning these and other recent developments in the mining industry are set out in the following sections.

Diamonds

19. As previously reported, Consolidated Diamond Mines of South West Africa, a subsidiary of De Beers Consolidated Mines of South Africa, Ltd., which is itself a subsidiary of Anglo-American Corporation (South Africa) is the principal producer of diamonds in the Territory, normally accounting for over 90 per cent of the diamonds mined. The company's own concession, which is due to expire in the year 2010, covers an area some sixty miles wide stretching along the coast for 220 miles north from the Orange River, and is believed to be the richest source of gem diamonds in the world.

20. During 1967 the company recovered a total of 1,445,825 carats of diamonds, compared with 1,504,000 in 1966, the record year. Its net profit, after payment of R29.9 million in taxes, amounted to R54.3 million (compared with R48.9 million in 1966). The value of diamonds recovered, including those added to stocks,

totalled R72.5 million and income from interest and dividends amounted to R13.2 million.

21. According to the 1967 annual statement by the chairman of De Beers Consolidated Mines, Mr. H.F. Oppenheimer, the production of diamonds was expected to increase in 1968. The average size of the stones would be smaller and the value per carat lower, owing to technical factors. At the present rate of mining, known reserves of diamonds are expected to be exhausted in thirteen years. He hoped, however, that increased exploration activities would result in the location of additional deposits.

22. The second most important producer of diamonds in the Territory is the Marine Diamond Corporation, in which Consolidated Diamond Mines at present has a direct and indirect interest amounting to 79.26 per cent. As previously reported (see A/7320/Add.1, appendix II, paras. 21-23), the Marine Diamond Corporation holds mining concessions off the coast of the Territory and on the adjacent foreshore between Lüderitz and the Orange River mouth. Established in 1961, the company operated at a loss for several years because the cost of experimental undersea mining techniques was greater than the value of diamonds recovered. In 1965, when losses amounted to almost R4 million, controlling interest in the company was sold to Consolidated Diamond Mines as part of an elaborate refunding operation, a main feature of the arrangement being that Consolidated Diamond Mines would take over the foreshore mining operations and finance them itself. In 1966, further losses were reported from sea mining operations, and in 1967 a new arrangement was made whereby, in order to recover losses and pay off outstanding debts, the Marine Diamond Corporation leased its off-shore mining concessions to Consolidated Diamond Mines for a period of three and a half years from 1 July 1967 at an annual rental of R2.7 million. Under the direction of Consolidated Diamond Mines, steady improvement in foreshore mining techniques was reported to have taken place during the year and a new barge, the Pomona, equipped for undersea mining, came into operation.

23. In its report for 1967, Consolidated Diamond Mines announced that as a result of these operations, the Marine Diamond Corporation achieved a net profit in 1967 of which R794,000 accrued to Consolidated Diamond Mines.

24. During 1968, Consolidated Diamond Mines recovered a total of 146,765 carats from foreshore mining operations and 32,421 carats from sea-mining operations in the Marine Diamond Corporation concession area. Capital expenditure amounted to R832,286. For the six months ended 31 December 1968, the company reported a loss of R5.96 per carat from sea-mining operations and a net profit of R13 per carat from mining on the foreshore. In a statement published in early 1969, Consolidated Diamond Mines explained that the loss with respect to sea-mining operations was due to the exhaustion of fully prospected reserves, and announced that until a new prospecting programme had been completed, the mining barge Pomona would be transferred to Hottentot Bay, part of the concession area belonging to Tidal Diamonds SWA (Pty.) Ltd.

25. Tidal Diamonds, owned jointly by Consolidated Diamond Mines (66.3 per cent interest) and the Getty Oil Company of the United States, which holds the mining rights, was formed in 1963 to carry out prospecting and mining operations in

Diamond Area No. 2. The concession, which is held on leasehold, extends along the coast for 150 miles immediately north of the Consolidated Diamond Mines concession, and includes the adjacent foreshore and sea areas to the end of the continental shelf, a total of about 18,000 square miles. The company is reported to have prospected so far only a comparatively small area of 295,000 square metres in Hottentot Bay which it found to contain a diamond reserve, estimated at 715,000 carats.

26. As explained in the basic study (A/5840, paras. 159-176), the actual holder of the concession covering Diamond Area No. 2 and the adjacent sea areas is Diamond Mining and Utility Company, Ltd., which leased the mining rights to the Getty oil interests in 1963 under an agreement whereby it must receive from Tidal Diamonds 18 per cent of the net proceeds of any diamond sales, after deduction of tax and selling costs, and 12 per cent of the proceeds from sale of other minerals.

27. In 1969, at the same time as it was announced that the barge Pomona would begin operations in Hottentot Bay (see para. 24 above), Tidal Diamonds also announced that a new agreement had been entered into with Diamond Mining and Utility, whereby Tidal Diamonds would acquire additional mining rights in an off-shore area extending along the coast north from Hottentot Bay to Conception Bay. Under the terms of the agreement, to which Diamond Mining and Utility, Tidal Diamonds, Consolidated Diamond Mines and the Getty Oil Company are all parties, Diamond Mining and Utility will be entitled to acquire at par 23 per cent of a series of new preference shares to be issued by Tidal Diamonds, while Consolidated Diamond Mines and the Getty Oil Company will own the remaining 77 per cent. The shares will qualify for all the distributable profits made from diamond mining in the combined area with the additional condition that Diamond Mining and Utility's share of the net profits from diamond mining will be increased from 18 to 23 per cent. Diamond Mining and Utility will retain its 12 per cent royalty right in respect of all other minerals.

28. It was further reported that Consolidated Diamond Mines would begin prospecting the new area at an early date and that mining operations in the Hottentot Bay area already prospected would commence without delay.

29. The three diamond concessions in the Kaokoveld northern Native reserve held by the De Beers Consolidated Mines, Ltd. in its own name, were allowed to lapse on 31 December 1967, the diamond content of material mined having remained small. During 1967, 566 carats were recovered in the area.

Base minerals

30. As already noted above, the years 1967 and 1968 witnessed a marked increase in mineral exploration by commercial enterprises encouraged by the "Administration" in an effort to discover new reserves of base minerals, particularly copper, with a view to making the mining industry less dependent on diamonds. So far, although untapped deposits of exploitable ores are known to exist in several parts of Namibia, they have not been fully explored and large-scale mining of base minerals has been mainly confined to two areas in the north and north-west.

31. For the present, however, the largest producer of base minerals remains the Tsumeb Corporation which is also the only enterprise engaged in smelting and refining operations, producing blister copper, lead, zinc and other by-products. The company, which has mines at Tsumeb and at Kombat, is predominantly controlled by American Metal Climax and Newmont Mining Corporation, both of the United States. As at June 1968, the company's ore reserves were estimated to amount to about 7 million short tons at Tsumeb, with a total ore content of 18.03 per cent (comprising 4.73 per cent copper, 10.5 per cent lead and 2.8 per cent zinc) and 1.7 million short tons at Kombat.

32. According to its annual reports for 1967 and 1968, the metal content of the ore mined has been declining since 1964, with the result that the company had to report substantial reductions in earnings and dividends for both years. Net current assets and inventories combined, however, reached a peak of R19.3 million in 1968. The following table contains a summary of the company's financial results for the five-year period 1964-1968:

| | (thousand rands) | | | | |
|---|---|---|---|---|---|
| | 1964 | 1965 | 1966 | 1967 | 1968 |
| Metal sales | 31.9 | 51.5 | 55.9 | 52.1 | 42.7 |
| Net operating income | 13.8 | 30.2 | 31.9 | 29.8 | 23.4 |
| Interest income | - | - | - | 0.7 | 0.7 |
| Depreciation and write-off | - | - | 2.[illegible] | 2.9 | 3.0 |
| Provision for income tax | - | 8.7 | 9.0 | 8.5 | 6.7 |
| Net profit | 7.6 | 18.9 | 20.7 | 19.0 | 14.5 |
| Dividends declared | - | - | 20.0 | 18.5 | 14.0 |
| Net current assets | - | 4.7 | 3.9 | 4.9 | 7.0 |
| Inventories | 13.1 | 13.0 | 12.8 | 13.0 | 12.3 |

33. Capital expenditure on new construction during 1967 and 1968 amounted to R2.0 million and R1.6 million respectively, bringing the total over the five-year period 1964-1968 to R9.2 million. Principal items of expenditure authorized for 1968 were as follows: Tsumeb mill, R8,556; Tsumeb mine, R14,131; copper and lead smelters, R283,592; surface buildings and equipment, R342,571; power stations, R295,656; European housing, R224,933; town site improvements, R244,162; farm buildings and equipment, R18,375; African affairs, R132,909; Kombat mine, R66,802; Walvis Bay loading plant, R2,956.

34. Production figures of principal metals over the five-year period 1964-1968 are as follows:

| | Lead | Copper (short tons) | Zinc | Total | Cadmium (pounds) | Silver (ounces) |
|---|---|---|---|---|---|---|
| 1964 | 81,509 | 34,337 | 9,999 | 125,845 | 219,027 | 1,436,136 |
| 1965 | 91,771 | 34,750 | 12,164 | 138,685 | 237,435 | 1,540,851 |
| 1966 | 88,800 | 32,471 | 11,015 | 132,286 | 369,812 | 1,516,539 |
| 1967 | 78,006 | 35,591 | 9,263 | 122,860 | 564,367 | 1,449,763 |
| 1968 | 61,927 | 34,691 | 4,973 | 101,591 | 471,108 | 1,349,741 |

35. During the year ended 30 June 1968 metal sold and taken into account amounted to 109,181 tons (consisting of 71,664 tons of lead, 33,933 tons of electrolytic copper and 3,584 tons of zinc), compared with a total of 144,067 tons in the previous year. In addition, 532,002 pounds of cadmium and 1,780,713 ounces of silver were sold in 1967-1968, compared with 703,038 pounds of cadmium and 1,832,316 ounces of silver in the previous year.

36. During 1968, the Tsumeb Corporation, according to its annual report, considerably increased the tempo of outside exploration and examined numerous areas of potential interest extending from Tsumeb to Maltahöhe. Ten applications for prospecting grants were made as a result of these preliminary examinations of which four were successful and three were still pending at the end of the year. Altogether, a total of 13,000 lineal miles of aeromagnetic surveying were flown covering an area of approximately 10,150 square miles in the Tsumeb and Outjo districts. The company also reported that the Tsumeb Exploration Company, in which it has a controlling interest of 75 per cent, spent R223,517 during the year on prospecting at Otavi, Asis Ost, Harasib, Teco and Alt Bobos, but that the results proved to be disappointing.

37. The Tsumeb Corporation further reported that it had obtained a 20 per cent interest in a joint exploration venture in which the Anglo-Transvaal Consolidated Investment Company of South Africa was the principal shareholder and in which De Beers Consolidated Mines and Anglo-American Corporation were also participating. Known as the Beta-Gamma-Sigma, Theta-Zeta Mining and Prospecting Companies, the new group is exploring three concessions between Rehoboth District and the town of Gobabis, with a total area of about 1,500 square miles. Copper was said to have been found at several sites.

38. In October 1968, the Tsumeb Corporation announced that, after two years of testing, it had decided to reactivate the Matchless mine in the Khomas Hochland, about thirty miles from Windhoek. The ore reserves are estimated to amount to 2.4 million short tons with an average content of 1.71 per cent copper and 12.04 per cent sulphur. After capital works costing from R3.5 million to R4 million have been completed, the mine is expected to begin full production by 1970. The principal factor leading to this decision was reported to be the presence of large reserves of iron pyrite, which could be used in the copper-recovery process at Tsumeb's principal mine.

39. The second largest base mineral producer in Namibia is the South West Africa Company which operates a lead-vanadium mine at Berg Aukas near Grootfontein and a tin and wolfram mine at Brandberg West. The company is controlled by Consolidated Gold Fields, Ltd., Anglo-American Corporation of South Africa, Ltd., and the British South Africa Company. During 1967, the company recovered 148,660 tons of ore from its Berg Aukas mine and 451,195 tons from the Brandberg West mine. Net earnings amounted to R865,714 from the sale of 10,840 short tons of lead-vanadium; 9,980 short tons of zinc/lead sulphide; 21,750 short tons of zinc silicate; and 707 short tons of tin/wolfram. Ore reserves were estimated to be 1.9 million tons at Berg Aukas and 2.2 million tons at Brandberg West on 30 June 1967.

40. In 1968, owing to decreased production of lead-vanadium concentrates, higher operating costs and a weakening of the vanadium market, the company reported net profits amounting to only R462,857 and was unable to declare a dividend.

41. Plans to effect major extensions at the Berg Aukas mine in order to increase the supply of zinc ore available for sale to ISCOR were described in the previous economic study (see A/7320 and Add.1, appendix II, paras. 30-32). It will be recalled that under the terms of a 1967 agreement, works costing a total of R5 million, which include the erection of a Waelz kiln for the treatment of zinc slime and the sinking of a new deep shaft, are being financed by a new company, Kiln Products, owned by Consolidated Gold Fields (51 per cent), the Anglo-American Corporation (34 per cent), Vogelstruisbult Gold Mining Areas (South Africa) (10 per cent), and Johannesburg Consolidated Investment Company (5 per cent). Under the agreement Kiln Products will buy zinc-bearing materials from the South West Africa Company, for sale to a second newly formed company, the Zinc Corporation of South Africa (ZINCOR) which has been granted a fifteen-year contract to supply the entire zinc requirements of ISCOR. Sinking of the R1 million shaft was completed in March 1969 and the shaft was expected to come into use several months thereafter, when dewatering operations had been completed.

42. ISCOR itself, it may be further recalled, through a subsidiary company, the Industrial Mining Corporation (INCOR), is developing the Rosh Pinah mine in the southern part of Namibia as its main source of zinc. This mine comprises part of a concession of over 1,200 square miles lying between the Orange, Fish and Konkiep Rivers, which was granted to ISCOR in 1965. The Rosh Pinah mine was expected to come into operation in April 1969 with an initial production rate of 3,700 tons of zinc concentrates and 750 tons of lead concetrates per month. Ore reserves are estimated at about 5 million tons, with an average content of 6 per cent zinc and minor values of lead and silver.

43. By the end of 1968 ISCOR had spent R1.9 million, of a total estimated expenditure of R6 million, on equipment, housing, development work and the construction of a concetrates processing plant at Rosh Pinah. When expansion at Berg Aukas is fully completed and the Rosh Pinah mine is working at full capacity, it is expected that ISCOR will be able for the first time to supply all its zinc requirements without having recourse to foreign imports, which in 1964 amounted to 35,000 metric tons.

44. ISCOR's tin mine at Uis in the Okambahe Native reserve, which it acquired in 1958, was reported to be producing an average of 72,000 tons of tin ore per month during 1967. The ore produced is smelted at the recently completed Vanderbylpark works in the Republic of South Africa, and the output is reported to be sufficient to meet nearly all of ISCOR's requirements. The capacity of the mine is being increased, and is expected to reach 95,000 tons per month by 1969 and 110,000 tons per month by 1972; the cost of the development work required to meet these goals is estimated at R80,000. Although there is no information on the earnings of the Uis tin mine itself, as it is a wholly owned subsidiary of ISCOR, a statement by the chairman of ISCOR revealed that the tantalite concentrate recovered from the tin in the course of smelting alone results in earnings of R5,000 a month. Owing to the world-wide shortage of fluorspar, ISCOR was also reported to be considering resuming mining of a deposit of that mineral at Okurusu.

45. Another mining company of increasing importance to the Territory is the new Klein Aub Copper Company in the Rehoboth Gebiet, which reported profits of R2 million for the 1967-1968 financial year, and for the first time declared a dividend of 50 cents (South African) per share. The company was formed in 1965 by

Marine Products Ltd., the Federale Mynbou-General Mining Group and Federale Volksbeleggings Bpk., with an initial investment of R4 million. Reserves are currently estimated at 1.7 million tons of ore averaging 3.5 per cent copper, far in excess of what was anticipated when the concession was first surveyed in 1965. Ore is being milled at the rate of 20,000 tons per month. By March 1968, the company's earnings had exceeded the original R4 million invested.

46. Following the discovery of unexpectedly large ore reserves in the Klein Aub region, the "Administration" of the Territory, as previously reported (A/7320 and Add.1, appendix II, paras. 33 and 34), granted a prospecting concession, covering 3,500 square miles, extending from Klein Aub, in Rehoboth District, in a north-easterly direction beyond Gobabis to the Botswana border, to a consortium composed of the Klein Aub Copper Company and its parent companies, the Federale Mynbou-General Mining Group, Federale Volksbeleggings Bpk. and Marine Products. The area of the concession, which corresponds with a geological formation known as the Tsumis Series, is believed to have some of the largest copper deposits in the world and during 1968 was the main area of exploration activity in the Territory. Deposits of vanadium, tin, lithium and diamonds are also believed to exist. Under the terms of the concession agreement, which covers a five-year period, the consortium will pay the "Administration" an annual rental of R50,000 and spend a minimum of R1 million on prospecting. It may prospect for all minerals except petroleum, gypsum, salt, limestone, marble and nuclear materials.

47. Additional promising explorations were conducted during 1968 by the Etosha Mineral Company, a subsidiary of the Brilünd Mines of Canada, which also owns the Etosha Petroleum Company. The company was founded by the Etosha Petroleum Company in 1967 and by 1968 held four concessions in the northern part of the Territory. In November 1968, the company announced plans to begin an around-the-clock drilling programme for lead and other base minerals in conjunction with the Société Mineral et Metallurgique du Pennaroya of France, in its concession areas in the Grootfontein and Tsumeb districts where substantial deposits of copper, lead and zinc are indicated. The Pennaroya company, which is involved in the drilling venture, forms part of the Rothschild mineral interests and is the world's leading distributor of lead as well as one of the foremost producers of base metals.

48. The test drilling programme is reportedly being carried out to determine whether the various deposits, particularly copper, go beneath the surface. There are, however, sufficient copper deposits to warrant the opening of an open-cast mine in the region.

Petroleum

49. Since late 1967, Namibia has become the scene of an intensive government-sponsored search for petroleum in which a number of large international oil companies are participating. Although there is no positive evidence of the presence of oil in the Territory, other than some indications of its possible existence in the area of the Etosha Pan National Park, the search has been stimulated by hopes that the oil fields in southern Angola may extend into Namibia, particularly in the off-shore areas.

50. As explained in the previous study (A/7320 and Add.1, appendix II, paras. 39-43), in December 1967 the territorial "Administration" entered into an agreement with the Southern Oil Exploration Company (Pty.) Ltd. of South Africa (SOEKOR) whereby it transferred to the latter petroleum prospecting rights in all areas where such rights had not already been granted to other companies under the terms of existing concessions. According to the agreement, SOEKOR, through a subsidiary company, SWAKOR registered in Namibia, would act as agent for the "Administration" in subletting these rights to other petroleum companies. The only areas not covered by this arrangement are concessions granted prior to 1961, such as the concessions held by Consolidated Diamonds and the Marine Diamonds Corporation, which did not specifically exclude the right to prospect for and mine petroleum, and also the concessions in Ovamboland where the Etosha Petroleum Company has been prospecting since 1966.

51. Recent developments concerning petroleum prospecting are fully described in chapter VII of the Special Committee's report (A/7623/Add.2 and Corr.1, annex, paras. 99-105). Briefly, the main development was the awarding by SWAKOR in September 1968 of eight concessions covering a total area of almost 90,000 square miles to the following international companies: Shell and British Petroleum; De Beers Consolidated Mines and Société Nationale de Pétroles d'Aquitaine; the Gulf Oil Company; the Chevron Oil Company and H.M. Mining and Exploration Company in association with Syracuse Oils and Woodford Oil and Gas Company, Ltd. The agreement between SWAKOR and the Chevron Oil Company was officially signed and approved on 9 December 1968 and the other concession agreements were expected to be signed early in 1969. An aerogeophysical survey of its concession areas was begun by Shell Petroleum in April 1969.

52. Earlier, in March 1968, it was reported that Consolidated Diamond Mines was negotiating with the Caltex Exploration Company (a subsidiary of the Caltex Oil Group in which Texaco, Inc. and Standard Oil of California have predominant interests) to undertake petroleum prospecting in its off-shore and on-shore diamond concessions, but there have been no further reports on the outcome of these negotiations.

## B. FISHING

53. Commercial fishing, which is conducted in two main areas on the 900-mile coastline of Namibia, around Walvis Bay and Lüderitz, has grown since its inception in 1948 to become one of the Territory's principal industries. In 1966, sales reached a record total of R49.6 million, or approximately one-fifth of the gross domestic product. In the following years, the industry did not attain the same measure of prosperity, partly because of falling prices in South Africa and overseas and partly because of adverse weather conditions, but sales, none the less, amounted to R45.4 million, of which pilchards accounted for R40.2 million, rock lobsters for R3.9 million, white fish for R817,000 and seals, including pelts and oil, for R570,000.

54. The organization of the fishing industry and the companies engaged in it have been fully described in the basic study prepared in 1964 (A/5840) and the supplementary information prepared in 1968 (A/7320 and Add.1, appendix II, paras. 44-54). It may be noted that of the total of over R20 million invested in the industry, about two-thirds is South African in origin and most of the companies are predominantly, or largely, South African-owned.

55. The most important sub-sector of the industry is concerned with pilchard fishing and canning and with the production of fishmeal and fish oil. The centre of activity is Walvis Bay where are located seven of the eight currently operating pilchard factories, the eighth being at Lüderitz. Licences to establish two additional factories, one in the Kaokoveld northern Native reserve and one at Walvis Bay, were granted in late 1967 and 1968 (see below) but there is no information as to whether or not these factories have since been completed. In order not to deplete the fisheries resources, each factory is allocated an official maximum quota, which is normally 90,000 tons of fish per year. In addition, five of the factories at Walvis Bay were granted supplementary quotas in 1967, amounting in each case to 9,600 tons, on payment of a levy of R5 per ton to the "Administration" to finance a Fishing Research Council. Also, pending the coming into operation of the factory in the Kaokoveld, its 90,000-ton quota has been divided among the existing factories. Thus, the total authorized pilchard quota for the Territory now amounts to 948,000 tons.

56. Despite this restriction, there is some evidence that pilchards are becoming scarcer in the immediate vicinity of Walvis Bay. The territorial "Administration" is seeking to deal with this problem by developing the exploitation of white fish, for which there is a growing world market, and by establishing new pilchard factories elsewhere on the coast. In the previous working paper (A/7320 and Add.1, appendix II paras. 49-52) details were given of the agreement entered into in December 1967 between the "Administration" and Sarusas Development Corporation Pty., a consortium of South African companies (Mankor, Volksas, General Mining, the Industrial Development Corporation of South Africa and Westies Mineral (Edms) Bpk.) and Windhoek businessmen, for the development of a fishing and industrial area, including a deep-sea harbour, on the coast of the Kaokoveld northern Native reserve. In exchange for the grant of licences to fish 90,000 tons of pilchard and an equal amount of white fish, the corporation agreed to devote most of its profits during the early years to the development of the industrial area. The agreement further provided that Sarusas might fish for pilchard in the Walvis Bay area until its factory in the north was completed but that its entire net profit from such operations would accrue to the "Administration". The Corporation began fishing from Walvis Bay in 1968, its catch being processed by the existing factories. The latter received 20 per cent of the profits for their services, the remainder going to the "Administration" as agreed.

57. In January 1968, the "Administration" granted another licence for a 90,000 ton catch of pilchard to the Consortium Visserye (Pty.) Ltd., a consortium formed by six fishing companies, one of which is a subsidiary of South West Africa Fishing Industries, Ltd. (SWAFIL). The consortium's main purpose is the development of the white fish industry. It plans to establish two factories, at Lüderitz and Walvis Bay, and to market its produce through the South Africa Marketing Organization. Under the agreement with the "Administration", exercise of the pilchard licence is conditional upon the consortium developing the white fish aspect of its activities, and part of the proceeds from pilchard fishing must be utilized for this purpose. At the time when the agreement was signed, the consortium announced that it would require a capital of R4 million, of which R3 million would be provided by its members and R1 million would be subscribed by public offering. Profits were expected to average R3 million yearly. In 1968, the consortium began construction of its factory for processing white fish at Walvis Bay which was expected to be ready for operation by April 1969. The cost of the factory was estimated at R750,000.

58. The presence of numerous foreign trawlers fishing, mainly for pilchard, off the coast of Namibia, and sometimes within territorial waters, poses a continuing threat to the efforts being made to conserve the Territory's fishing resources, for they account for about 49 per cent of all the fish caught off Namibia, estimated at about 2 million tons in 1968. Furthermore, the owners of these vessels do not pay the 30 per cent tax on profits to the territorial "Administration" which companies registered in Namibia are required to pay. Of particular concern to the "Administration" have been the growing activities of South African factory ships; in 1967, there were two operating off Namibia, a third had already been licensed by the South African authorities and an application for a fourth licence was being considered. On 28 June 1968, it was announced, however, that after prolonged negotiations, the territorial "Administration" had succeeded in reaching an agreement with the South African authorities whereby only the two factory ships currently operating would be allowed to fish within latitudes off the Namibian coast. Other provisions of the agreement were that: (a) fisheries research by the "Administration" would continue unabated to determine the fishing capacity of the area and there would be no further increases of the territorial quota or licensing of factory ships by South Africa unless it was proved that further exploitation would not harm the industry; (b) whenever the catching season for land-based factories in South Africa was extended, the extension would not apply to factory ships operating off Namibia; (c) the existing pilchard factories in Namibia (mainly South African-owned) would share equally in processing the 90,000-ton pilchard quota recently granted to Consortium Visserye; and (d) the South African owner of the factory ships (Buitesee Viskorporasie Bpk.) would be permitted to negotiate with the Namibian fish factories for a share in the processing of the pilchard catch of Sarusas Development Corporation. Legislation enacted in 1967 had imposed severe penalties, up to a maximum fine of R10,000 or ten years' imprisonment, on all fishermen registered in Namibia who supplied fish to non-registered factories.

59. Later in the year, it was reported that the "Administration" was negotiating with other Governments to obtain a multilateral agreement which would prevent over-exploitation of the waters off Namibia. It was also reported that, as part of its programme for more intensive study of Namibia's fisheries resources, the "Administration", on 8 November 1968, commissioned a 145-foot research vessel, the Benguela, built at a cost of R800,000.

60. Because less than twelve calendar months have elapsed since the previous working paper was issued, there is little new data available concerning the operations and financial results of individual fishing companies. Since 1966, however, world over-production of certain fish products, especially fishmeal and fish oil, which together represent 60 per cent of the industry's export sales, has resulted in markedly lower prices with little prospect of rapid recovery. These price losses were, however, largely offset by increased volume. The following table shows the consolidated net profits, after deduction of taxes amounting to 30 per cent, of the major fishing companies in Namibia:

| | Consolidated net profit (million rands) | | |
|---|---|---|---|
| | 1966 | 1967 | 1968 |
| Marine Products, Ltd. | 3.5 | 3.4 | 3.5 |
| Ovenstone South West Africa Investments Ltd. (OSWIL) | 1.1 | 1.1 | ... |
| South West Africa Fishing Industries, Ltd. | 1.8 | 1.4 | ... |
| Suid Kunene Bpk. | 1.1 | 1.0 | 1.0 |
| Angra Pequena Fishing Co. | 1.4 | 0.9 | ... |

61. During the year, OSWIL acquired the entire share capital of John Ovenstone, Ltd., an allied fishing company registered in South Africa and, at the same time, disposed of half of its 50 per cent interest in Industone Sociedad Anónima Pesquera which operates in Chile. OSWIL already was a joint owner with John Ovenstone, Ltd. and Kaap Kunene, of one of the two South African registered factory ships to which reference has been made in paragraph 58 above.

## C. AGRICULTURE

62. General. Agriculture continues to be, in terms of its contribution to national income, the least important of the four main sectors of the economy. Climatic conditions, notably the extreme aridity of over 70 per cent of the land area where rainfall averages less than one and one-third inches yearly, and the fact that most of the suitable grazing land is fully exploited, make this a relatively static sector in a rapidly expanding economy. Owing to the sharp increase in mining output, the earning of the agricultural sector, which averages about R40 million yearly, dropped from approximately one-fifth of the gross domestic product in 1965 to about one-sixth in 1967.

63. As previously explained (see A/6868/Add.1, appendix II), commercial agriculture in Namibia consists mainly of the raising of cattle and karakul sheep and is largely confined to European-owned farms within the Police Zone. Although a few farms are owned by commercial companies, the general pattern is one of single-family units which sell their livestock to local dealers or canneries; in the case of karakul the pelts are sold to brokers who export them to auctions, mainly in the United Kingdom. About one-quarter of the cattle in the Territory are owned by Africans in the Native reserves, principally Ovamboland, but these are mostly used for local consumption since their generally poor quality and the prevalence of disease usually renders them unacceptable for export.

64. The following table shows the total number of certain species of livestock registered in Namibia in the years 1965-1967:

| | 1965 | 1966 | 1967 |
|---|---|---|---|
| Cattle | 2,347,235 | 2,277,620 | 2,196,972 |
| Karakul sheep | 3,151,219 | 3,360,248 | 3,181,329 |
| Other sheep | 688,041 | 707,294 | 621,086 |
| Goats | 1,541,344 | 1,513,059 | 1,423,239 |

According to reports, the number of cattle in Namibia has changed little since 1958. In the European farming areas where almost all the available grazing land is already exploited intensively, the numbers have declined somewhat, partly owing to a severe drought which lasted from 1958 to 1965. This was, however, offset by a marked increase in the number of African-owned cattle in the northern reserves. During 1967, the value of cattle slaughtered for home consumption and export was estimated to be just over R19 million. Details of this trade are given below.

65. An important development during the period under review was the introduction in the South African Parliament in February 1969 of a bill to merge the "Land and Agriculture Bank of South West Africa" with the Land and Agriculture Bank of South Africa. This merger was among the measures recommended by the Odendaal Commission and forms part of a series of measures aimed at integrating the Territory more closely with South Africa (see A/7623/Add.2 and Corr.1, chapter VII, annex. paras.27 and 33). In a White Paper explaining the bill, it was stated that the merger would provide a broader basis for assisting farmers in the Territory who had to contend with greater difficulties than those in the Republic. It was further stated that two members from the Territory would be appointed to the board of directors of the South African Land and Agriculture Bank and that all funds derived in the Territory would be used in the Territory. Provision for a similar transfer to South Africa of the Territorial Government's administrative and legislative functions in respect of agriculture and veterinary services were contained in the South West African Affairs Bill introduced on 5 February 1969 (Ibid., paras. 29 and 30).

66. Meat industry. During 1967, severe drought conditions in South Africa led to a sharp rise in the prices paid for Namibian meat. As a result there was a marked increase in the number of livestock exported to South Africa; the number of cattle increased by approximately 63,000 to a total of 239,582 in 1967 and the number of small stock rose from 102,555 in 1966 to 223,080 in 1967. According to preliminary reports this trend was continued during the following year when exports of livestock were the largest since 1963.

67. The competition by South African buyers in the livestock auctions held in the Territory had an adverse effect on sales to the Territory's meat processing industry, the number of cattle sold for processing or consumption in Namibia falling from 122,398 in 1966 to 72,925 in 1967. Faced with higher prices for raw meat, increased labour and transportation costs and reduced prices for meat extract, two of the three privately owned meat packing companies (operated by the Farmers' Co-operative Union and African Meat Canners, Ltd.) were forced to close, and the third (Damara Meat Packers, Ltd.) reported that it would operate at reduced capacity.

68. In order to retain the Territory's meat processing industry and, at the same time, to safeguard the interests of farmers in the Territory, it was decided to replace the three factories by a single large processing concern in the direction of which the European farming community would be represented. Accordingly, in late 1968, Damara Meat Packers, Ltd. was purchased by one of the biggest South African meat packing companies, Vliessentral, with a loan of R500,000 furnished by the "South West Meat Producers' Association". In exchange for the loan, Vliessentral guaranteed that the prices which it would pay for beef in Windhoek would never be lower than those obtaining in South Africa, that it would export frozen cuts to South Africa and overseas, would supply deboned cuts to the local market, and would export offal. It further guaranteed to continue to fulfil these obligations regardless of supply and market conditions, even if the factory should operate at a loss. Finally, the agreement gave the farmers' association the right to appoint four members to the eight-member board of Vliessentral in Windhoek. In accordance with this right, the four representatives were duly elected to the board on 7 January 1969. Later in the month, the Windhoek City Council was reported to have agreed to sell the municipal abattoirs to Vliessentral.

69. Karakul farming. As in the case of the meat industry, karakul production, which is mainly restricted to about 2,500 farms in the arid centre and south of the Territory, appears to have reached the maximum development possible in view of the limited grazing land available. In 1967, the industry exported 2,896,498 pelts at a total value of R14.5 million, making Namibia the largest producer of karakul in the world. Details of the organization and development of the industry are contained in the basic study prepared by the Secretariat in 1964 (A/5840).

70. The following table shows the number and value of karakul pelts exported in recent years:

| Year | Number of pelts | Average price per pelt (rands) | Total value (rands) |
|---|---|---|---|
| 1965 | 2,240,801 | 6.26 | 14,027,414 |
| 1966 | 2,977,093 | 6.37 | 18,964,082 |
| 1967 | 2,896,498 | 5.00 | 14,482,490 |
| 1968 (provisional) | 3,396,498 | 5.58 | ... |

71. In 1967, the industry was adversely affected by a marked decline in the prices of furs on the European market, although karakul prices did not drop as sharply as the prices of other kinds of furs, several of which declined by half. During 1967, legislation was enacted providing for the integrated marketing of Namibian and South African karakul pelts in order to achieve greater stability of prices.

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, which were annexed to the reports of Sub-Committee I on this subject and are reproduced in the Special Committee's reports to the General Assembly for 1965 and 1966, a/ 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.

2. These studies were supplemented in 1967 by a working paper on economic activities in selected sectors with special reference to foreign interests, b/ and in 1968 by a working paper on new capital investments in the Territories under Portuguese administration. c/

3. Under the new Government of Prime Minister Marcello Caetano, problems of economic development in both Portugal and the overseas Territories are receiving greater attention than before, and several official statements have made it clear that foreign capital is not only welcome but, in fact, needed. As already reported elsewhere, d/ owing to the heavy military expenditures which absorb more than half of the country's actual revenue, in 1969, the extent to which the Third National Development Plan can be implemented will depend on resources available from domestic and foreign loans.

4. Articles in the international Press have also drawn attention to the Portuguese government policy of attracting foreign investments. The 1965 Portuguese regulations on foreign investments are considered, for instance, to be "especially liberal" when compared with the provisions of other countries. It may be recalled that, whereas prior to 1965 the Government had generally required a measure of Portuguese participation in the capital and in the administration of enterprises, this is no longer invariably the case. Specifically, foreign companies are now allowed to remit freely all legally imported capital as well as earnings from such capital and from other specified activities. Also, national enterprises may now contract foreign loans up to 2,500 million escudos e/ or one third of their capital or reserve fund, and they are entitled to certain tax privileges which may vary according to the nature of the enterprise.

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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; ibid., Twenty-first Session, Annexes, addendum to agenda item 23 (A/6300/Rev.1), chap. V, annex, appendices I to V.

b/ Ibid., Twenty-second Session, Annexes, addendum to agenda item 24 (A/6868/Add.1), appendix III.

c/ A/7320/Add.1, appendix III.

d/ A/7623/Add.3 and Corr.1, chapter VIII, annex I, para. 52.

e/ One escudo equals $US.035.

5. In addition, the 1965 regulations co-ordinating industrial development in Portugal and the overseas Territories have also given a new impetus to foreign capital. Although these regulations exclude foreign investments in public services and the public domain in Portugal, exceptions are made where such investment is considered to be beneficial. In the overseas Territories, areas in which foreign investments are specifically invited, and "will always be authorized" are: (a) agricultural improvements, land preparation, including irrigation projects, livestock and cattle raising and the processing of agricultural products; (b) improvements and extension of industrial installations and reorganization of industries; (c) development of the extractive industries, including petroleum and other energy sources; (d) fishing; (e) improvement of transport and communications; and (f) development of the tourist trade. New industries may enjoy various tax exemptions up to six years, and new investments in established industries for expansion of production or reorganization, when considered beneficial to the Territory's economy, may enjoy similar exemptions up to three years (Decree Law No. 48,581, 16 September 1968).

6. Foreign investment in particular, is expected to play an important role in Angola and Mozambique. In Angola, where rising inflation and the cost of the war e made it necessary for the territorial Government to find new sources of enue to balance its 1969 budget, great hopes are placed on the mining sector which most of the new foreign investments are concentrated. In Mozambique, the ure expansion of many of the export crops depends on foreign capital, and the elopment of the entire Zambezi Valley with a view to bringing into use thousands hectares of land for settlement and agricultural production awaits the success negotiations with foreign sources for the financing of the Cabora Bassa dam.

The following sections describe the major areas in which there are new large estments, whether in the form of investment or in the form of loans, with special reference to the resulting economic impact. A provisional list of the known concerns with foreign capital participation is given in the annex I and II to this appendix by area of activity and by nationality. General economic information on Angola and Mozambique is contained in A/7623/Add.3 and Corr.1, chapter VIII, annexes II and III.

## 1. ANGOLA

### A. MINING

s a result of new investments in mining in recent years, in 1968, for the time in the history of the Territory, minerals accounted for some 30 per cent Territory's total exports by value, while agricultural exports accounted nly 55 per cent. Heretofore, minerals have accounted for an average of some 23 per cent and agricultural products 65 per cent of the total. Mineral production during 1967 and 1968 is shown in table 1 below.

Table 1

Mineral production, 1967-1968

(million escudos)

| | 1967 | | 1968 | | Increase in value |
|---|---|---|---|---|---|
| | Quantity | Value | Quantity | Value | 1967-1968 |
| Diamonds (carats) | 1,288,501 | 1,219.8 | 1,667,133 | 1,607.8 | 388.0 |
| Iron ore (tons) | 1,154,303 | 244.8 | 3,218,212 | 466.4 | 221.6 |
| Crude petroleum (tons) | 537,152 | 253.9 | 749,514 | 355.1 | 101.2 |
| Manganese (tons) | 33,180 | 9.0 | 9,150 | 3.1 | -5.9 |
| Rock asphalt (tons | 27,043 | 1.3 | 30,603 | 1.6 | 0.3 |
| Salt (tons) | 77,687 | 16.3 | 72,496 | 14.9 | -1.4 |
| Total value | | 1,745.1 | | 2,448.9 | 703.8 |

Source: Actualídade Economica, 10 April 1969, p. 3.

9. The growing importance of mining as a new source of revenue in Angola was recently highlighted by the Portuguese Under-Secretary of State for Development, Dr. Ruy Patrício, when he announced that in 1969 petroleum mining alone was expected to contribute 500 million escudos to the territorial revenue and that this amount would double in another two years' time. (The Territory's total revenue for 1969 is estimated at 6,000 million escudos.) Dr. Ruy Patrício also noted that the petroleum refinery which was being expanded would soon be expected to provide the Territory with more revenue, and that exports of iron ore at the current rate of 5.6 million tons a year would earn some 1,500 million escudos (about $US50 million) in foreign exchange. Therefore, when the various new mining concessions come into production, mineral exports are expected to play an even more important role in the economy of the Territory and its relationship with Portugal.

Diamonds

10. Angola Diamond Company. As reported previously in the basic study on mining, f/ the Angola Diamond Company, DIAMANG, which has an exclusive diamond mining concession covering more than three quarters of the Territory, has been an important source of revenue, foreign exchange and loans to the Territory. Up to the end of 1968, it was one of the Territory's largest single sources of ordinary revenue. In 1962, for instance, it ranked fourth with a contribution of 145.5 million escudos, exceeded only by import duties at 258.7 million escudos, export duties at 241.5 million escudos, and the general minimum tax, 271.1 million escudos.

f/ A/6000/Rev.1, chap. V, appendix, annex I.

11. In 1967, DIAMANG's contribution amounted to 273.1 million escudos, representing 5.3 per cent of the Territory's total ordinary revenue. Of the total sum, 234.3 million escudos represented the Territory's statutory share in the company's profits; 27.0 million escudos represented the dividends on the shares held by the Angolan Government; and the company's "national defence" contribution amounted to 11.8 million escudos. g/ In September 1967, DIAMANG also granted the territorial Government a loan of 500 million escudos which was used to ease the Territory's exchange situation. h/ This brought the Territory's outstanding debt to the company to a total of 726.9 million escudos (about $US25 million).

12. According to the company's report for 1967, its total financial contribution to the Territory in the period 1921 to 1967 inclusive was as follows:

| | Million escudos |
|---|---|
| Government's share in profits | 2,708.7 |
| Dividends and bonuses | 281.9 |
| Loans | 1,070.8 |
| Subscriptions to the Transitional Development Plan bonds | 125.0 |
| | 4,186.4 |

The report notes that payments made by the company to the Territory since 1962 accounted for 51.2 per cent of the total, whereas the payments during the previous forty-one years accounted for 48.8 per cent.

13. Other diamond concessions. There is no further information on the activities of the Anchor Diamond Corporation, Ltd., which acquired an exclusive diamond concession of about 1 million hectares in 1967. According to a recent report, of the 352 blocks of 750 square kilometres each which were opened up to diamond prospecting in 1964, only about ten have been taken up and, of these, only two are under active prospecting. In May 1969 the Portuguese Government granted a concession for diamond prospecting to the West Angolan Diamond Company (Companhia de Diamantes Oeste de Angola, S.A.R.L.) which will have the financial and technical backing of a privately owned company: Diamond Distributors, Inc. of New York. As reported in the Press, the concession area covers more than 37,000 square kilometres (comprising probably fifty blocks of 750 square kilometres each) divided into two areas, one in the central coastal region around Novo Redondo and Dondo, and the other a coastal strip extending south to the Cunene River, including off-shore rights as well. The company is required to invest a minimum of $US2.1 million in the prospecting of the off-shore concessions over the first six years and another $US1.2 million for the on-shore concessions for the first eight-year period.

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g/ For details on the "national defence" contribution, see A/7320/Add.1, appendix III, para. 56.

h/ Ibid.

14. The West Angolan Diamond Company is the first concern with United States financial backing to receive a new diamond prospecting concession in Angola. An application by a Portuguese concern for a diamond and precious stone concession in the Libolo, Cambambe and Ambriz area is reported to be pending.

Petroleum

15. In 1968, Angola's total crude petroleum output was expected to exceed 900,000 tons compared with 537,152 tons in the previous year, and exports were expected to be around 120,000 to 150,000 tons. Petrangol-Angol was the main producer, as output from the Cabinda Gulf Oil Company began only in late November. No figures are available for the 1968 output of the Luanda refinery of Petrangol which in 1967 processed 629,110 tons of crude petroleum, of which 93,629 tons were imported. In 1967, exports of refined petroleum products amounted to 85,298 tons valued at 29.8 million escudos, of which 74,000 tons of fuel oil, worth 26.1 million escudos, went to Portugal.

16. Petroleum is at present being extracted from the following mines: Petrangol at Luanda, Benfica, Cacuaco, Galinda, Tobias and Puaça; Petrangol-Angol jointly at Mulenvos and Quenguela North; and Cabinda Gulf Oil Company at Trend B and Yabe. The petroleum produced by Petrangol and Petrangol-Angol will be destined mainly for the Luanda refinery while that of Cabinda Gulf Oil will be for export.

17. Cabinda Gulf Oil Company. At the end of 1968, the Cabinda Gulf Oil Company was granted an extension to its concession over 10,116 square kilometres of land. Under the 1966 contract, the company was to have ceded 25 per cent of the area upon expiration of the first two-year period, i.e., in 1968, and a further 25 per cent at the end of the second two-year period. As the company had already begun production and had spent more than the 150 million escudos on prospecting in the two-year period, as required by the earlier contract, it has been allowed to retain rights over the full area. The financial terms, however, have been revised to provide the territorial Government with a larger share of the proceeds, with some payments to be made in advance. The financially most important of these changes are described below.

18. Under the new contract, the basic terms of which are set out in Decree No. 48,805 of 27 December 1968, the surface rent has been increased. Under the 1966 contract, i/ the surface rent was originally fixed at 600 escudos per square kilometre per year during the first two years, 750 escudos in 1969 and 900 escudos in 1970. Retroactively, the company will now pay 2,000 escudos per square kilometre for the period 1 January 1967 to 31 December 1970, with the unpaid balance for the whole period to be paid within thirty days of the signing of the

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i/ See A/6868/Add.1, appendix III, para. 47. Among other provisions, Cabinda Gulf Oil Company is exempt from the property tax and/or any other levies on immovable property; it is also exempt from customs duties on imports for the mining works and exports of its products. The Government further agrees to undertake such measures as may be necessary to ensure that the company may carry out its operations freely and efficiently, including measures to permit the company the use of and free access to public land, and such measures as may be necessary to prevent third parties from interfering with the company's free exercise of its contractual rights.

contract. As at 1 January 1971, the surface rent per year per square kilometre will be 2,000 escudos during the period 1971-1975; 2,500 escudos from 1976-1981; and 3,000 escudos thereafter.

19. As part of the change in the surface rent, the company is also required to spend a minimum of 25 million escudos during each five-year period after 1 January 1971, or pay any unspent balance to the Government. The requirement that the company invest at least 75 million escudos every year in prospecting is retained.

20. Under the new contract the company is required to demarcate by 30 June 1970 the areas it wishes to retain for prospecting, development and production; this area may not exceed 25 per cent of the total initial concession or the total area of the deposits already discovered, whichever of the two is the larger. All areas not so demarcated will be considered free thereafter. Areas released by the company must be in units of at least 100 square kilometres. The company has the right to exploit the deposits for an initial period of forty years, which may be extended by another twenty years.

21. Another important change is the introduction of a royalty of $US0.10 per barrel. For the period of production ending 31 December 1968, the company will not be required to pay more than $US2 million. From 1 January 1969 the company is to pay this royalty each month in the currency actually earned. The company is also required to pay the 50 per cent income tax on its net profits for 1971, 1972 and 1973 in advance, as follows: $US4 million to be paid within thirty days of the signing of the contract and $US3 million on 1 July 1969. This advance is to be interest-free, and one third of the total will be deducted from the actual taxes due in each of the fiscal years of 1971, 1972 and 1973. j/

22. The company is required to pay, within thirty days of the signing of the contract, half of its statutory contribution to the Mining Development Fund due for the period 1968 to 1977 inclusive, amounting to 10 million escudos.

23. A rough calculation shows that the new scale of surface rent yields at least 20 million escudos a year, and with a production of 30,000 barrels a day, the Government's income from the $US0.10 royalty amounts to over $US1 million a year. When production reaches 150,000 barrels a day in 1973, this new royalty will bring the Government $US15,000 a day or $US5.5 million a year.

24. The previous provisions, under which the Government enjoyed a concession right (direito de concessão) equivalent to 12.5 per cent of all petroleum produced as well as the 50 per cent income tax on the company's net profits, remain unchanged, except that if the Government does not wish to use the petroleum, the value is to be calculated on the basis of the posted price. There are no separate figures on the income the Government expects to receive under these provisions. An article in one of the local newspapers in Angola has questioned how the provisions in the new contract yield an annual income of 500 million escudos a year for the Territory. According to that article, it is estimated that the 50 per cent income tax on profits will yield only 33 million escudos a year, with an equal amount from the 12.5 per cent direito de concessão which, together with 164 million escudos from the per barrel royalty, brings the Territory's annual income from the Cabinda Gulf Oil concession to under 240 million escudos.

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j/ The actual amounts are $US2,333,333 for 1971 and 1972 and $US2,333,334 for 1973.

25. It may be noted that the advance payments made by the company within thirty days of signing the contract amounted to at least 245 million escudos and $US7 million, or a total of about the equivalent of 445 million escudos as follows: 80 million escudos in surface rent; $US2 million in royalties for the period before 1 January 1969; $US4 million as an advance payment of income tax; 10 million escudos for the Mining Development Fund, and a bonus of 155 million escudos on signing the contract. By mid-year the Government is to receive a further advance of $US3 million on income tax, and, taking the direito de concessão as yielding 33 million escudos a year, the total payments from the Cabinda Gulf Oil Company to the Government will in 1969 add up to about 562 million escudos (table 2 below). Estimated revenue for 1969 from petroleum mining is expected to amount to 522.1 million escudos (see table 5 below).

26. Since the new discoveries of petroleum deposits in the on-shore part of the concession, the company expects production to reach 15 million tons a year by 1973. This would bring Angola's annual petroleum production to about 1 per cent of the world output at the current rate and would double the Government's income from this source.

Petrangol-Angol

27. According to press reports Petrangol-Angol, the Belgian and Portuguese joint venture, has recently acquired two new partners, one from the United States of America and the other from South Africa. A subsidiary of the United States Texaco Oil Company, known as Texaco Petróleos de Angola, has acquired rights under two separate contracts to share in prospecting the Angola concessions of 5,518 square kilometres at the mouth of the Congo River as well as in the Petrangol-Angol concession of 7,790 square kilometres covering the land areas of the Congo River basin. Details of these contracts are not yet available, but according to the Governor-General, provisions have been included which will improve the economy of the Territory; the minimum obligatory investments in prospecting alone amount to over 100 million escudos.

28. In 1968 Petrangol, which is a subsidiary of the Belgian-owned Petrofina, was reported to be controlled as follows: Petrofina, 33 1/3 per cent; Lobito Purifina (Companhia de Combustiveis do Lobito) a subsidiary of Petrofina, 11 2/3 per cent; the Angolan Government, 33 1/3 per cent; and private industrialists, 21 2/3 per cent. In February 1969, Petrangol increased its registered capital from 150 million to 900 million escudos. The additional 750 million escudos of share capital is to be made up with 450 million escudos from Petrofina's credit in Petrangol and 300 million escudos to be credited freely to the Angolan Government and private shareholders, 250 million escudos to the former and 50 million escudos to the latter. It may be noted that the private group with interests in Petrangol also owns shares in SACOR, the Portuguese petroleum refinery and distributor, which is reportedly a subsidiary of the French state-owned Compagnie Française des Pétroles, S.A. SACOR, in turn, has a majority control in Angol.

29. Originally known as Sociedade de Lubrificantes e Combustíveis, in March 1967, Angol increased its registered capital from 120 million to 220 million escudos by issuing new shares which were completely subscribed. The company changed its name to Sociedade Portuguese de Exploração de Petróleos, S.A.R.L. in 1966 and revised

Table 2

Cabinda Gulf Oil Company: payments to the Angolan Government in 1969

| Nature | Amount: million escudos | Amount: United States dollars | Observations |
|---|---|---|---|
| Surface rent | 80 | | At 2,000 escudos per $km^2$, paid retroactively since 1 January 1967 and in advance to 31 December 1970 |
| Royalty per barrel for period before 1 January 1969 | | 2 | Maximum amount to be paid |
| Royalty per barrel for 1969 production | | 1 | Calculated at 30,000 barrels a day |
| Advance payment of income tax | | 7 | For period 1971-1973 inclusive |
| Advance payment of contribution to the Mining Development Fund | 10 | | |
| 12.5 per cent share in production | 33 | | Estimated by an unofficial source |
| Bonus on signing contract | 155 | | |
| Total | 278 | 10 | |
| Grand total | 563 million escudos | | |

its statutes in April 1967. k/ Among other things, the new statutes provided for the immediate increase of the registered capital to 320 million escudos by issuing new shares for public subscription. The statutes also provide that, in subsequent issues of new shares, shareholders are to have priority to purchase up to 80 per cent of the total in the same proportion as their holdings. With the prior approval of the Government, the company may also increase its capital extraordinarily, by amounts of not less than 10 per cent of the fully subscribed capital, in cases where the new capital will be subscribed by a single enterprise or a group of enterprises, which may be of foreign nationality. In December 1968, Angol increased its registered capital to 380 million escudos. There is no information as to the ownership of the new shares.

30. The company's shares are divided into four series: series "A", comprising the original share capital of 120 million escudos; series "B", comprising the 1 million escudos issued in March 1967; series "C" comprising the new increase authorized in April 1967 and subsequent issues for subscription by nationals domiciled in Angola; and series "D", comprising the extraordinary issues of new capital. Series "B" shares are nominative and the Government has the right to acquire any of these shares which are not taken up by the other holders of the series. Series "A" and "C" may be transferred but the acquisition and transfer of series "D" shares are subject to the conditions set out in the contract of purchase.

31. The board of directors comprises nine members as follows: two members appointed by the Government; three members elected by the shareholders of series "A" and "C"; two members elected by the owners of certain shares of series "B" and two others elected by the holders of certain other shares of series "B". l/ No provision is made for the participation of holders of series "D" shares.

32. The distribution of profits is to be as follows: 5 per cent to the legal reserve fund; 30 per cent for other reserves as proposed by the board of directors and approved by the shareholders; 1 to 5 per cent for the remuneration of the members of the board and directors; up to 10 per cent as a general dividend per share; and the remainder to be disposed of as may be decided by the general meeting of the shareholders. Up to 1970 inclusive, however, dividends on series "A" and "B" shares are to be paid to the company to be applied to prospecting of the concession areas.

33. In March 1969, a South African consortium of important mining concerns was reported to have acquired an interest in the Petrangol-Angol group. According to one source, the consortium acquired a 25 per cent interest from Angol which retained a 25 per cent interest in the joint venture with the remaining 50 per cent held by Petrofina. Another press report links the new South African move with that country's plans for assuring adequate fuel supplies for its own industries, pending the development of nuclear power stations and further development of its own continental shelf where petroleum gas deposits have already been discovered. In 1967, South Africa's petroleum consumption was reported to amount to 175,000 barrels a day.

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k/ Angola: Boletim Oficial, Series III, 26 April 1967.

l/ These two blocks of shares are probably held by SACOR and the Banco Borges and Irmão which both have substantial interests in Angol. Banco Borges and Irmão is the parent body of the Banco de Credito Comercial e Industrial which was established in Angola only a few years ago.

34. The South African consortium is reported to be headed by the General Mining and Finance Corporation, Ltd. and Federale Mynbou, Bpk., both of South Africa. According to a previous report (see A/7623/Add.3 and Corr.1, chapter VII, annex II, para. 97), the Companhia de Minérios do Ultramar, established in November 1968 with Portuguese, South African and United States interests, together with the Bonus Investment Corporation of South Africa, Ltd. (BONUSCOR) had acquired an option from Angol. At that time, South African participation was being negotiated for a 15 per cent share in the production of wells already in operation and a 25 per cent share in the production of new findings. The entry of new capital in the Petrangol-Angol group is expected to lead to a concentrated programme of new drillings to increase production. In anticipation, Petrangol's refinery has been authorized to increase its capacity to 1 million tons which will enable it to produce annually 265,000 tons of gas oil; 270,000 tons of gasoline of various grades; 20,000 tons of butane; 17,000 tons of paraffin; 434,000 tons of fuel oil; and 25,000 tons of asphalt. Angol has also been authorized to establish a new refinery at Lobito with a capacity of 650,000 to 1 million tons which is expected to be in operation by 1973.

Iron and manganese[m]

35. In 1967, out of the total production of 1,154,303 tons of iron ore, 800,000 tons were produced at Cuima and Cassinga and the remainder at Sara and Tumbi in Malange District. Manganese production amounted to 33,180 tons, with most of the exports going to Japan and Italy.

36. There are no separate figures for the production of the different mines in 1968, but probably more than two thirds of the 3.2 million ton total was from Cassinga which produced 2.2 million tons in the first eleven months. Of the 1.6 million tons exported during the first seven months of the year, 980,767 tons went to Japan; 489,661 tons to the Federal Republic of Germany; 68,466 tons to Belgium and Luxembourg; 42,313 tons to the United Kingdom; and 19,406 tons to Portugal. Total exports in 1968 had originally been expected to reach 3 million tons and sales agreements had been reported for 2 million tons to Japan; 650,000 tons to the Federal Republic of Germany (of which Krupp would receive 500,000 tons); 70,000 tons to Belgium; and 60,000 tons to Portugal.

Cassinga

37. In May 1968, the Sociedade Mineira do Lombige, the original concessionaire of the Cassinga Mines, merged with the Companhia Mineira do Lobito, and later, at the end of the year, the Companhia Mineira do Lobito was authorized to sell its shares to the public (Decree No. 48,544, 26 August 1968). Early in January 1969, the Companhia Mineira do Lobito, commonly known as the Mineira, successfully negotiated a new loan of 560 million escudos from several European countries. Of the total, 140 million escudos will be financed by a consortium composed of the Bankers Trust Company of London, the Lavoro Bank A.G. of Zurich and the Monte dei Paschi di Siena of Italy. The remaining 420 million escudos will be financed by two German banking consortia, one led by the Deutsche Union Bank of Frankfurt and the other by Hamburggische Landesbank of Hamburg.

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m/ For background information on iron and manganese mining, see A/6000/Rev.1, chap. V, appendix, annex I, paras. 58, 67 and 200-220.

38. According to a recently published article, the total investment in the Cassinga project at the end of 1968 amounted to 2,950 million escudos, with Portuguese investment accounting for about one third. Just over two thirds of the 3 million escudo investment (about 68 per cent) has been spent on railways and ports, and 32 per cent on mind installations and equipment. The Moçâmedes railway has been improved to carry 6 million tons a year, or twenty times its previous capacity. The port at Moçâmedes has been expanded to receive ore-carrying ships of up to 100,000 tons, and further work is under way to expand the facilities to accommodate ships of up to 200,000 tons.

39. On the basis of a geological study recently completed, the iron ore reserves at Cassinga are reported to comprise at the Jamba mine alone (which is in production) 90 million tons of rich ore of the Pebbles and Smalls type; 20 million tons of concentrated ore of the Lumps type; and 400 million tons of medium-grade ore with 35 to 45 per cent iron content. The Mineira is now planning to begin operations at Tchamutete about 10 kilometres south of Cassinga, where there are 1,600 million tons of medium-grade ore. These estimated reserves do not include deposits at the middle plateau level. The ore at Tchamutete is considered to justify the establishment of a processing plant since the value per ton can thereby be increased from $US8.50 to $US11.00 to $US12.00 per ton. As already reported (A/7623/Add.3 and Corr.1, chapter VIII, annex I, para. 105) the Síderurgia Nacional of Portugal plans to establish a steel plant in Angola with an initial investment of 420 million escudos and an initial capacity of 90,000 tons of pig iron and 120,000 tons of steel a year.

40. During 1969, ore production from the Cassinga Mines is expected to rise to 5.6 million tons. A new agreement is reported to have been signed with a group of six Japanese steel mills to supply them with 14 million tons of ore valued at some 3,000 million escudos over a period of five years. The six Japanese mills are Yawata Iron and Steel Co., Ltd.; Fuji Iron and Steel Co., Ltd.; Nippon Kukan Co., Ltd.; Kawasaki Steel Corporation; Sumitomo Metal Industries Ltd.; and Kobe Steel, Ltd. According to the Portuguese Press, this agreement was given publicity in Japan as the company was able to secure the new sale at the price of the previous agreement, despite the world trend towards lower iron and steel prices. In this connexion, the Angolan Press pointed out that the mineral wharves at Port Salazar were an important factor in determining the contract price with Japan. Currently, the port facilities can handle ships of 100,000 tons' capacity and load them in thirty hours at a rate of 3,500 tons per hour; by 1973 the port will be able to handle ships of 200,000 tons' capacity.

41. The Mineira has also signed a five-year contract with the French-owned steel plant Union Siderurgique du Nord de la France (USINOR) to supply it with 20 million tons of Pebbles ore over the next five years. The first shipment to France was scheduled for March 1969. Other contracts are reported to have been signed for ore sales to steel mills in Belgium, the United Kingdom and to the Síderurgia Nacional in Portugal, and negotiations are in process for sales to Spain, Italy and other countries in Europe.

Table 3

Financing of the Cassinga Mines operations

| | | Million escudos | Observations |
|---|---|---|---|
| **Capital** | | | |
| | Registered capital | 500.0 | |
| | Government share in capital | 50.0 | |
| **Loans** | | | |
| 1964 | Fried Krupp (Essen); Jagjaard and Schulz A/S (Copenhagen); Sociedade de Empreitades e Trabalhos Hidráulicos Lda (Lisbon) | 1,300.0 | Loan for seven years to be amortized by repayment in ore at 1.5 million tons a year |
| 1964 | Angolan Government with a loan from the Bank of Angola | 300.0 | For the development of Moçâmedes port facilities |
| 1965 | Fried Krupp (Essen) | 1,500.0 | For the purchase of locomotive waggons |
| 1966 | Jagjaard and Schulz A/S (Copenhagen) | 32.0 | Not specified |
| 1967 | Export and Import Bank of the United States of America | 229.1 | For the purchase of diesel locomotives |
| | General Electric Company | 40.4 | For the purchase of diesel locomotives |
| 1969 | Bankers Trust Company of London, Lavoro Bank A.G. of Zurich, and Monte dei Paschi di Siena of Italy, 140 million; Deutsche Union Bank and Hamburggische Landesbank of Hamburg, 420 million | 560.0 | Not specified |
| | | 3,961.5 | |

Other minerals

42. Sulphur. In December 1968 (Decree No. 48,825, 31 December) the Portuguese Government granted Tenneco-Angola, Inc. prospecting and mining rights for sulphur, gypsum and anhydrite in an area close to Benguela on the coast of Angola (see map).

43. Under the terms of this decree, which sets out the guidelines for the contract to be signed by the overseas Minister with the company, Tenneco-Angola must be established in accordance with the regulations on foreign investments which also guarantee the privileges accorded such capital. n/ The company, which is to have its headquarters on Portuguese territory, is to have an initial capital of not less than 8.4 million escudos, of which 2.8 million escudos must be realized within ninety days of the signing of the contract. The realization of the balance and up to 28 million escudos shall be obligatory when necessary for the full development of the deposits discovered. Subject to the prior approval of the Portuguese Government, the company may have recourse to the foreign capital market either in the form of loans or by issuing shares. The company is granted exclusive prospecting rights for an initial period of three years during which it undertakes to invest a minimum of 8.4 million escudos in the first eighteen months and an equal amount in the second eighteen months. In addition, the company undertakes to pay, each year, 600,000 escudos to the Mining Development Fund. The contract may be extended for a further period of eighteen months, but over only 50 per cent of the original concession area. Exploitation rights are for an initial period of twenty five years and may be extended for a further period of twenty years.

44. The Government of Angola has the right to receive 50 per cent of the company's net profits which must be paid within six months. Five years after the signing of the contract the company will be required to pay the fixed mining tax, and, in lieu of the proportional mining tax, the company is to pay the Government a share of the production as a direito de concessão equal to 5 per cent of the value of the mineral production or the processed production. This share, to be calculated on the internationally quoted f.o.b. Angola price, is payable on completion of each sale.

45. Tenneco, Inc. o/ is a United States company with its headquarters in Houston, Texas. It was originally incorporated under the laws of the state of Delaware in April 1947 as the Tennessee Gas Transmission Company, and in June of that year merged with its parent company, the Tennessee Gas and Transmission Co. In 1966 it adopted the name Tenneco.

46. The company's principal business is the ownership and operation of a pipeline system for the transmission and sale or delivery of natural gas. Through various subsidiaries the company also operates oil chemical packaging and manufacturing and land-use industries. In 1967, the company's assets amounted to $US3,589.3 million, its consolidated operating revenues amounted to $US1,777.7 million and its net income was $US138.5 million. In 1967, Tenneco

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n/ The main provisions, contained in Decree Law No. 46,312 of 28 April 1965, are described in document A/6300/Rev.1, chap. V, paras. 58 and 59.

o/ Information summarized from Moody's Public Utility Manual, American and Foreign, August 1968, and "The 500 Largest U.S. Industrial Corporations", The Fortune Directory, part I, 1968.

ranked thirty-nine among the 500 largest United States industrial corporations. The sulphur concession appears to be its first investment in Angola, where it may at a later stage also establish a sulphuric acid plant.

47. Phosphates. As reported previously, in 1968, the Cabinda Gulf Oil Company held a phosphate concession in Cabinda. In November 1968, the Portuguese Government granted Companhia de Fosfatos de Angola, S.A.R.L. a concession for prospecting and mining of phosphates in the district of Cabinda (Decree No. 48,695, 22 November). The area of the concession covers the entire district of Cabinda except for a small area (see map). The relationship between the two companies is unknown.

48. The Companhia de Fosfatos is to be constituted as a Portuguese company in accordance with the Commercial Code but it is to enjoy the privileges accorded foreign capital as in the case of Tenneco-Angola, Inc. It is to have an initial capital of 3 million escudos which is to be increased to 30 million escudos when necessary. If the company is financed mainly by foreign capital, it may not use Portuguese credit institutions except with the approval of the overseas Minister, but it may obtain short-tern loans from Portuguese banks.

49. The initial period of the contract is for one year, which may be renewed for four periods of one year each, but the area is to be reduced by 50 per cent after December 1971. Exploitation rights are for an initial period of thirty-five years which may be extended for another twenty years. The company undertakes to spend at least 3 million escudos each year in prospecting. Areas marked for exploitation may not exceed 10 per cent of the original concession. The company may freely export its production provided it constructs in Angola the necessary installations for the treatment of the mineral production, separates any useful minerals contained in the phosphates and gives Portuguese companies the first option to purchase the products at the established price. The Government of Angola has the right to acquire 50 per cent of the production not already covered by contracts approved by the Government.

50. The company is subject to the 50 per cent income tax on net profits, and even if it incurs a net loss it is required to pay not less than 7 per cent of the value of its sales during the year. It is also required to turn over its foreign exchange earnings to the territorial Government. In return, the company enjoys the usual tax exemptions granted to mining concerns.

51. The company was expected to begin prospecting in January 1969 in the Tando-Zinze area and in the region of Cacongo-Zandana, Dinge, Massabi and their outskirts.

52. Gold. In March 1969, there were unofficial reports that a major gold deposit had been found in Angola. The vein was reported to be a mile long, located about sixty-two miles from Malanje about half way between Luanda and the border with the Democratic Republic of the Congo. The Mineira also is reported to have found gold in its concession and to be planning to begin exploitation soon.

53. Copper. According to recent reports, negotiations are again under way to secure capital participation for the mining of the large copper deposits at Tetelo, which lies in the concession area of Empresa do Cobre de Angola, S.A.R.L. Since the withdrawal of the Nippon Mining Company from the plan to mine the deposits in

association with the concessionaire, a new study has been undertaken on the commercial viability of the deposits. The results obtained so far suggest that the deposits, which are located some 400 metres below the surface, can be commercially mined and would require an initial capital of 30 million escudos, rising to 300 million escudos. It may be recalled that the Nippon Mining Company had been prepared to invest $US25 million at the time it decided to withdraw.

The effect of the new mining developments

54. The expansion of activities in the mining sector has come at a time when it helps to cushion the effects in Angola of a drop in world coffee prices in 1968. In its report for 1968, the Commercial Bank of Angola, for instance, welcomes the new mining developments as "a gradual diversification of production and a strenghtening of the link between the economy of the Territory with the over-all process of development of the Portuguese economic zone (Espaço Economico Português)".

55. For Portugal, the discovery of new mineral wealth in Angola is also of special significance, since, through the so-called economic integration of the Portuguese zone, Portugal has changed overnight from a petroleum and ore importing country, p/ to one which is "self-sufficient" in both of these raw materials. At the same time, it will gain the assurance of new sources of foreign exchange earnings. In Portugal, a new refinery is already being built at a cost of 4,000 to 5,000 million escudos; a new steel plant being built at Seixal is expected to cost the same amount. The new steel plant is not only considered essential to the country's industrial development but also indispensable for Portugal's war effort in the overseas Territories.

56. Although reports indicate that there is an official feeling of euphoria in Angola, where a boom is expected, the available information shows that almost all of the new development, whether in mining, transforming industries, or agriculture, is capital intensive, and therefore only marginally affects the great majority of the Africans who live in the rural areas. An article commenting on the new development in the February 1969 issue of the Economist Intelligence Unit Quarterly Economic Review on Portugal and the Overseas Provinces has warned that a balanced view of Angola's future must take into account that about 90 per cent of the country's population is still living at or near subsistence level in the rural areas and that:

> "Failure to bring the majority of agricultural producers into a market economy in parallel with development of the industrial and service sectors could lead to economic deadlock, urban unemployment facing rural under-employment.... The multiplier effect of an export boom, confidently looked forward to in Luanda will be confined to a very small proportion of the population if the only means open to the Angolan peasant to increase his cash income is to move into a town."

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p/ In 1967, Portugal imported 1.75 million tons of crude petroleum, mainly from the Middle East, and 43,000 tons of iron ore, mainly from Brazil. The corresponding figures for the first nine months of 1968 were 1.22 million tons and 57,300 tons respectively. (Source: United Nations: Statistical Papers, Series D, (Vol. XVII, No. 1-33) and (Vol. XVII, No. 1-17)).

## B. AGRICULTURE

57. In Angola, the discovery of new sources of mineral wealth is considered in some financial and official circles as a prelude to the development of a diversified economy and the first step on the road to industrialization. The drop in the relative share of agricultural products in the Territory's exports, from 65 per cent of the total in 1967 to 55 per cent in 1968, is cited as evidence of this favourable trend. The report of the Commercial Bank of Angola for 1968, for instance, sees the gradual "diversification" of production and a closer economic relationship within the Portuguese economic zone as a basic condition for the economic growth of all the overseas Territories, and the new sources of mineral wealth and the growth of transforming industries as leading to a gradual elimination of the dualistic economy in Angola.

58. In fact, however, in terms of quantity, agricultural exports were lower in 1968 than in the previous year due mainly to a drop in the output of two of the principal crops, coffee and sugar, while maize and sisal exports remained at the same level. The only significant increases in output were of European-grown tobacco and European-grown mechanized cotton. With the exception of some areas where they have been given the opportunity to grow cash crops, most Africans continue to live in regedorias where they are engaged in subsistence agriculture and cannot have legal title to land. g/ A number of articles in the local Press also have recently expressed concern over the persisting neglect of the rural population and the neglect of food crop production which has necessitated rising imports.

59. Because of the saturation of the world market for Angola's principal export crops, there appears to be little new private investment going into this sector, except for sugar and cotton which have a protected market in Portugal. As to public funds, government expenditure under the ordinary budget is mainly limited to assistance to export crops. Estimated expenditure on agriculture in 1969 under the Third National Development Plan amounts to only 129.9 million escudos, or less than 10 per cent of the total, with 34.1 million escudos for the development of agricultural resources, 78.8 million escudos for irrigation and settlement schemes and 17 million escudos for agricultural credit.

### Coffee

60. As reported previously, owing to world market conditions, coffee, which is the Territory's major export crop, accounting for about 50 per cent of the value of its exports in an average year, has now come under restricted production. In 1968, the Government placed a levy of 0.80 escudos on each kilogramme of coffee exported to provide funds to help farmers to diversify out of coffee.

61. Some of the large coffee plantations are also reported to be facing difficulties. For instance, Companhia Angolana de Agricultura, commonly known as CADA, reported a drop in production in 1968 due to previous successive periods of drought (which affected the young plants) and the result of coffee pest in some areas. On the basis of its 1968 operations, the company was unable to declare a

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g/ For a description of the land concession legislation and African land rights, see A/6000/Rev.1, chap. V, appendix, annex II.

dividend. Nevertheless, it decided to pay a dividend of seventy escudos per share on each of the 150,000 outstanding shares from its dividend stabilization fund. The company has already begun to diversify out of coffee and has started cotton growing. It is also studying the possibilities of cattle raising and the expansion of its coconut palm plantations.

62. In 1968 (Portaria No. 15,666, 8 August) the Diversification and Development Fund to assist coffee farmers had an estimated budget of 195.6 million escudos. Most of this amount was to come from the special levy on coffee exported, which in 1968 amounted to 192,000 tons.

## Sisal

63. As reported elsewhere (A/7623/Add.3 and Corr.1, chapter VIII, annex II, para. 59) in the last few years the drop in demand for sisal on the world market has led the Angolan growers to cut back production, to increase local processing and to diversify into other crops. Sisal exports, which dropped from 61,005 tons in 1966 to 47,118 tons in 1967, rose to 58,000 tons in 1968. No information is available yet on the proportion exported and processed locally, but under the Rome Fibre Agreement, r/ the possibility of any increase in the exports of this crop is limited.

## Sugar

64. As the basic study on agriculture and processing industries showed, s/ sugar has long been a protected crop produced in the early days mainly for export to Portugal, but in recent years an increasingly greater proportion has been consumed in the Territory. However, in spite of the world surplus of sugar and the drop in world prices, Portuguese policy continues to encourage sugar growing in Angola, because Mozambique alone has not yet been able to meet Portugal's sugar requirements. (In 1967 Angola produced over 67,000 tons of sugar, of which 26,270 tons went to Portugal and other overseas Territories.)

65. Since 1960 a number of plans have been approved at various times for the establishment of large new sugar plantations and sugar mills in Angola, but none of these has materialized as yet. In 1968, the Territory's sugar output was so low that it had to import 2,000 tons to meet the needs of its own market.

66. In 1968, the Government authorized two sugar mills to increase their capacity to raise the Territory's annual sugar output to 140,000 tons by 1980. The Companhia do Assucar de Angola (CAA), which is the Territory's main producer (accounting for 45 per cent of the production in 1967), has been authorized to invest 130 million escudos ($US4.5 million) to expand production at Dombe Grand and to increase the capacity of that mill to 1,500 tons of cane a day. The Sociedade de Comercio e Construcções, S.A.R.L., has also been authorized to expand its production at the Bom Jesus mill, from 6,000 to 70,000 tons of cane a year by 1980. An investment of 320 million escudos is planned for this expansion, which is expected to create some 4,000 to 5,000 new jobs in sugar cane cultivation and 400 to 500 jobs in sugar processing.

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r/ This agreement was reached by the Study Group on Hard Fibres, a sub-group of the Committee on Commodity Problems, of the Food and Agriculture Organization (FAO) during its meeting in Rome in September 1967.

s/ A/6300/Rev.1, chap. V, appendix, annex II.

Cotton

67. As reported previously, since the repeal of forced cotton cultivation, t/ the Cotton Institute of Angola has encouraged mechanized cotton growing by European farmers. In 1968, seed cotton output rose to an all-time high of some 45,000 tons, with European growers accounting for most of the production. Cotton lint exports, all of which went to Portugal, were estimated at 8,500 tons valued at 180 million escudos. This was the largest volume of cotton lint exported since before the Angola uprising.

68. According to a report of the Algodoeira Colonial Agrícola, with the introduction of improved seeds, fertilizers, insecticides and some mechanization, African cotton growers are now able to produce an average of 1,200 kilogrammes per hectare so that average incomes have risen from 600 to 700 escudos to 15,000 to 20,000 escudos a year. With the introduction of mechanization, European cotton growers have an average holding of 80 to 100 hectares. The company's new ginnery at Novo Redondo, which represents an investment of over 13 million escudos and is equipped with machinery manufactured in the United States, was expected to be in full operation by mid-1968 with a ginning capacity of 18,000 to 24,000 tons each six-month period. In 1969, the company was reported to have established near the ginnery a vegetable oil plant with a capacity of 15,000 tons a year.

69. The Government continues to assist and encourage cotton growing and guarantees a minimum price to producers in the hope of becoming independent of foreign supplies. In 1968, the Angola Cotton Institute was provided with a budget of 51.4 million escudos to help expand and improve production. There is no recent information on the number of Africans producing cotton under the supervision of the Cotton Institute. The latest figures are for 1964 when out of 41,596 African growers, 39,890 were under the supervision of the Institute (see A/6300/Rev.1, chap. V, appendix, annex II).

70. In 1968, in anticipation of an expansion in cotton production, Fabrica de Tecidos de Luanda (Textang), which is owned by the Sociedade Algodoeira de Fomento Colonial, was authorized to increase its production of cotton textiles from 1,200 to 1,800 tons a year. This expansion is expected to provide 200 new jobs. In 1967, the Territory produced cotton textiles worth 167 million escudos; imports amounted to 437 million escudos, of which almost 90 per cent was from Portugal.

Tobacco

71. Tobacco, which has only recently become an important cash crop, has been grown in Angola for many years but was confined mainly to the air-cured types with only a small amount of flue-cured type destined for the Portuguese market. In the 1968 season, about 9,000 tons of tobacco were produced, of which about half was of the fine-cured type. As Angolan flue-cured tobacco is similar to some types produced in Southern Rhodesia, the Government hopes that Angolan tobacco can capture part of the international market. The Sociedade Exportadora de Tobacos de Angola, Lda. (SETA), an organization representing the Universal Leaf Tobacco Company of United

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t/ For a description of this system see A/6300/Rev.1, chap. V, appendix, annex I, paras. 79-128.

States and Portuguese interests, which has sole responsibility for the marketing of the tobacco produced by the two main Angolan tobacco grower co-operatives, Tabangola and Çotaquelola, has helped to encourage expansion of production. Tobacco is also being suggested as an area of foreign investment, and an article in an international tobacco weekly has drawn attention to the advantages of the land concession regulations under which a settler may acquire full title to land without charge after a certain degree of development has been undertaken.

## C. TRANSFORMING INDUSTRIES AND OTHER INVESTMENTS

72. In 1968 the output of the transforming industries was 4,634.3 million escudos, compared with 3,907 million escudos in the previous year. This represented an increase of 18.6 per cent. For the first nine months of the year, investments rose by 37 million escudos to 215 million escudos, but the number of new industries dropped from 227, providing 2,908 new jobs, to 198, providing 3,633 new jobs. Of the 215 million escudos, about 70 million escudos was invested in the textile and chemical industries, each taking about half, and another 68 million escudos was divided evenly between the food and beverage industries. During the same period, construction dropped slightly in value, from 409 million to 391.5 million escudos.

73. Among large new investments in transforming industries reported in the last year or pending are a cotton spinning mill, Industrias Têxteis, S.A.R.L. (AFRITEX) which is to be established near Malanje, with an investment of 100 million escudos, a production capacity of 1,500 tons a year and employment for 250 workers; a steel plant to be established by the Siderurgia Nacional de Portugal, with an investment of 420 million escudos, which is expected to provide employment for 558 persons; and a new synthetic textile plant with an investment of 30 million escudos and a production target of 1 million metres a year.

74. Companies which have increased their registered capital substantially include Companhia de Cimento Secil do Ultramar, from 150 to 200 million escudos; Companhia Angolana de Cafés (CAFANGOL), from 100 to 200 million escudos; and Manufactura Angolana de Borracha (MABOR), from 60 to 100 million escudos.

## D. LAND SETTLEMENT AND RURAL DEVELOPMENT

### Cunene scheme

75. In January 1969, Portugal and the Republic of South Africa signed a further agreement on the joint use of the Cunene River to provide water and power in the southern part of Angola and in Namibia. In the first phase of this scheme, a new dam is to be built in Angola, about 100 kilometres from the city of Nova Lisboa, creating a lake 178 kilometres in length. The water made available is to be used to bring some 500,000 hectares of arid land into production, and to supply a total of about half a million inhabitants in Angola and Namibia.

76. This scheme is expected to involve the largest foreign capital investment outside the mining sector. The first phase alone is expected to cost between 1,500 to 2,500 million escudos with an estimated 400 million escudos for the Gove dam alone. The total final cost is expected to amount to 17,000 million escudos. The Governments of Portugal and the Republic of South Africa will each provide half

of the funds. When fully implemented, the Cunene River basin scheme will represent the largest South African investment in Angola.

77. A total of 125,000 hectares is to be developed under irrigation which will be divided into twenty-hectare farms for growing maize, wheat, tomatoes, tobacco, cotton and kenaf. Each farm is expected to provide an average annual gross income of 56,000 escudos. According to the Governor-General, the irrigated land is expected to yield a gross income of 11,000 escudos per hectare and a net income of 4,000 escudos. A local source reports that the settlement scheme involves the "installation of 6,233 agricultural families (casais agrícolas), the "localizing" (fixação) u/ of 37,000 persons and the employment of 73,000 workers.

78. In January 1969, the first stage of the building of the Gove dam was opened to public bids. In May 1969, the Government announced that it had received twelve bids ranging from 300 to 400 million escudos which were being studied. So far, there is no information on the nationality of the companies which have submitted bids.

## Agricultural settlement

79. In 1968, the Government reserved an area of land on the Camabatela plateau, which is located about 200 kilometres north-east of Luanda, for agricultural settlement nuclei (núcleos de povoamento agrário) (Portaria No. 15,608, 3 July 1968). The surrounding land, except where already occupied by the local population, is to be divided into lots of 2,500 to 5,000 hectares each to be leased under contract v/ for commercial livestock farming under specified conditions. A minimum initial capital of 600,000 escudos is required for the leasing of 2,500 hectares, and 1 million escudos is required for the leasing of 5,000 hectares. Each 2,500-hectare farm must be stocked with at least 208 head of cattle, with a minimum of 150 cows and four bulls; a 5,000-hectare farm must have 416 head of cattle, with at least 250 cows and seven bulls. Once the cattle have been installed, the farmer may acquire definite title to the land which may be used to secure any loans needed.

80. In 1968, government expenditure to promote settlement included over 200 million escudos for the budget of the Settlement Board of Angola. w/ The board's 1969 budget is not yet available but under the Third National Development Plan, 78.8 million escudos has been allocated for irrigation and settlement schemes in 1969.

## Rural reorganization and development

81. Apart from some references to reorganization of the local population into protected villages in areas of guerrilla activities (see A/7623/Add.3 and Corr.1, chapter VII, annex I, para. 49).

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u/ The term "fixação" is generally applied to the regrouping of the African population into organized units to facilitate administration and the provision of water supplies and other facilities. It implies putting an end to the practice of shifting cultivation.

v/ For a description of the land concession legislation see A/6000/Rev.1, chap. V, appendix, annex II.

w/ For the functions of the Settlement Board see A/7200/Add.3, chapter VIII, annex II, paras. 80-86.

and some incomplete statistics on rural markets, there is no recent information on the progress made in the rural regrouping schemes. x/ A recent article in a local newspaper has drawn attention to the under-development of the rural population in spite of the Government's proclaimed efforts to promote rural welfare and reorganization. According to this article, in 1967 there were 13,387 population centres with more than 100 inhabitants. Of these, 5,192, or 38 per cent, had no electricity; 10,100, or 75 per cent, had no water in the dwelling; and 2,550, or 30 per cent, had no access to a road. (Angola's per capita gross internal product was reported, however, to amount to 3,500 escudos in 1967.) In 1965, only 200 centres, with a total population of about 2.5 million had sewerage systems.

82. In 1969, expenditure for rural improvement under the Third National Development Plan is expected to amount to 49.3 million escudos as follows: water supplies, 2 million escudos; electricity, 5 million escudos; roads and other improvements, 14 million escudos; and socio-economic services, 28.3 million escudos.

## E. THIRD NATIONAL DEVELOPMENT PLAN

83. The investment targets under the Third National Development Plan, 1968-1973 and the sources of financing which were reported in 1968 (see A/7320/Add.1, appendix III, table 6) showed that external sources were expected to provide 42.7 per cent of the envisaged investment. This share amounts to 10,684 million escudos, comprising 2,600 million escudos in loans and 8,084 million escudos in direct investment. The share of foreign investment in the mining sector is expected to exceed the amount originally envisaged. Detailed information on the role of foreign investment in the transforming industry sector is lacking, but there appears to be a trend towards growing participation of foreign capital, especially in the financing of factories and equipment. Some of the government purchases of public transport and communications equipment have also been financed by foreign capital. In 1968 for instance, the Angolan Government purchased five diesel engines from the General Electric Company of the United States at a cost of $US34.5 million which is to be repaid in twelve semi-annual payments at an interest of 7.25 per cent. (Decree No. 48,659, 4 November 1968.)

84. In March 1969 (Portaria No. 16,081, 24 March), 1,327.9 million escudos were allocated as extraordinary expenditure for the implementation of the Third National Development Plan during the current year. The sources of financing and the items of expenditure are set out in table 4 below.

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x/ For a description of the basic objectives and programme of rural regrouping see A/7200/Add.3, chapter VIII, annex II, paras. 81-83.

Table 4

Third National Development Plan

A. Sources of financing for 1969

| | Million escudos |
|---|---|
| Portugal | |
| Loan from Portugal | 155.0 |
| Angola | |
| Territorial budgetary surplus | 150.0 |
| Special loan from the Bank of Angola | 500.0 |
| Sobrevalorização export tax | 120.0 |
| Receipts from the Development Fund | 52.9 |
| Financing by the private sector | 350.0 |
| | 1,327.9 |

B. Estimated expenditure for 1969

| | | |
|---|---|---|
| Agriculture and forestry | | 129.9 |
| Development of resources | 34.1 | |
| Irrigation and settlement | 78.8 | |
| Agricultural credit | 17.0 | |
| Fisheries | | 12.6 |
| Industry | | 46.5 |
| Extractive industry | 42.0 | |
| Transforming industry | 4.5 | |
| Rural improvement | | 49.3 |
| Water supplies | 2.0 | |
| Electricity | 5.0 | |
| Roads and other improvements | 14.0 | |
| Socio-economic services | 28.3 | |
| Energy | | 99.0 |
| Studies - transport and distribution | 74.0 | |
| Financing of existing schemes | 25.0 | |
| Marketing services and warehouses | | 10.5 |

Table 4 (continued)

| | | Million escudos |
|---|---|---|
| Transport and communications | | 608.3 |
| Roads | 320.0 | |
| Railway | 56.9 | |
| Ports and navigation | 78.3 | |
| Air transport and airports | 45.8 | |
| Telecommunications | 97.1 | |
| Meteorological services | 10.2 | |
| Tourism | | 5.8 |
| Education and research | | 243.3 |
| Education | 117.9 | |
| Educational research | 2.0 | |
| Other research | 123.4 | |
| Housing and urbanization | | 25.0 |
| Public health and assistance | | 98.7 |
| | | 1,327.9 |

Source: *A Provincia de Angola*, 27 March 1969.

## F. OTHER DEVELOPMENTS

85. In April 1969, Tanganyika Concessions, which controls 90 per cent of the equity of the Benguela Railway Company, announced a new £10 million programme to improve its line. A new link is to be built from Cubal to Lobito to replace the section built in 1908. This link, known as the "Cubal variant" will shorten the distance by 35 kilometres and eliminate 240 curves and some of the steep climbs. The total cost includes the provision of diesel traction on this section of the line. The new line, which is expected to take four years to complete, is planned to double the railway's capacity and substantially reduce operating costs. y/

86. There have been a number of reports of planned investments by British, South African and United States interests.

87. Early in 1969, the British National Export Council sent a mission to Angola to promote trade with the Territory which only amounts to about £8.4 million at present. Although the mission found the Angola market limited in size, taking

y/ For a more detailed account of the financing and operations of the Benguela Railway see A/6300/Rev.1, chap. V, appendix, annex IV, paras. 3-61.

into account the Territory's present phase of development, the Chairman of the mission is reported to have suggested that Angola represented a suitable field for British investments, both because of its economic potential and because of its political stability. Among major development projects suggested for investments were the Cassala-Luanda complex which would involve an investment of $42.5 million over a period of four years to be used to develop the Cassala iron ore deposits, the establishment of an ore pellet plant and the improvement of existing port, rail and electricity facilities. Also suggested for investment were light industries, such as the production of veneer and veneer panelling.

88. In April 1969, four South African firms with activities in Angola were reported to be increasing their investments to improve trade between the two countries. These are Inexcafé, S.A.R.L. and its associate Cardoso and Cia, Lda., Comércio Internacional, Lda. (COMIL), all of Luanda, and Intrex (Pty.) Ltd., of Johannesburg.

89. The General Mining and Finance Corporation of South Africa is also reported to be interested in increasing trade between the two countries with exports of coffee from Angola in exchange for industrial goods from South Africa.

90. Mr. Wayne Kurlinski of the University of the State of New York (United States) visited Angola and Mozambique in March 1969, reportedly to study the economic situation in these Territories and investment opportunities for United States financial interests. Mr. Kurlinski was making the visit under a contract with the Associação Portuguesa das Empresas do Ultramar (Portuguese Association of Overseas Companies).

91. There are no available figures of total United States investment in Angola or Mozambique. The United States is Angola's second most important trading partner, however, and in 1967 took 27.2 per cent of its total exports, amounting to approximately $US65 million. Coffee accounted for about 96 per cent of this total. In the first four months of 1968, coffee exports to the United States were 15 per cent above the level for the corresponding period in 1967.

92. In November, an article in International Commerce, a United States Department of Commerce publication, reported that the growth of extractive industries and the stepped up building programme in Angola offers a larger and more diversified market for United States manufactured products, especially heavy duty construction equipment. The article suggested that the most promising fields for United States exporters were for the sale of fabricated metal products, machinery (except electrical) and transportation equipment. Markets for beef and dairy breeding stock and related equipment were also suggested as of possible interest.

93. The estimated revenue which the Government expects to receive from mining and other companies in 1969 is shown in table 5 below:

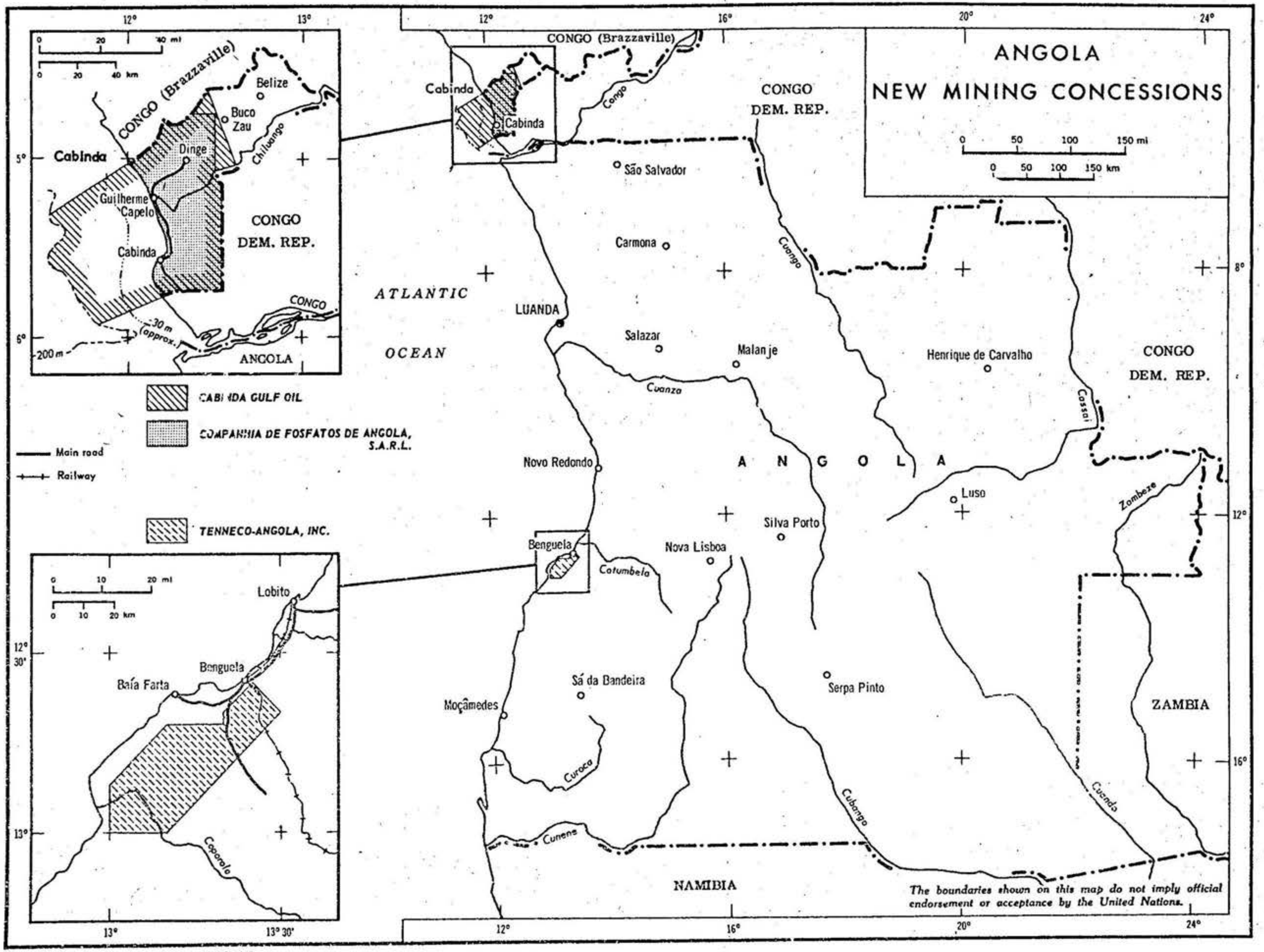
Table 5

Estimated revenue for 1969 from mining and other companies

| | Million escudos | |
|---|---|---|
| **A. Share in profits** | | |
| Angola Diamond Company | 230.0 | |
| Benguela Railway | 23.0 | |
| Companhia dos Betuminosos de Angola | .01 | 253.01 |
| **B. Income from dividends on shares** | | |
| Benguela Railway | 7.0 | |
| Tanganyika Concessions, Ltd. | .03 | |
| Companhia dos Combustiveis do Lobito | 0.88 | |
| Angola Diamond Company | 26.0 | |
| SONEFE a/ | 23.0 | |
| Companhia Portuguesa Rádio Marconi | .45 | |
| Transportes Aéreos Portugueses | .48 | 57.84 |
| **C. Receipts from petroleum mining** | | |
| Direito da concessão | 61.4 | |
| Income tax | 33.0 | |
| Other receipts (including income from Cabinda Gulf Oil Company as set out in Decree No. 48,803, 27 December 1968) | 427.7 | 522.10 |
| | | 832.95 |

Source: Angola: Boletim Oficial, First Series, 7 February 1969.

a/ Sociedade Nacional de Estudos e Financiamentos de Emprendimentos Ultramarinos which has financed several hydroelectric stations and supplies power in Luanda and Cuanza Norte Districts. Ownership is unknown.




MAP NO. 1908 UNITED NATIONS
JULY 1969

## 2. MOZAMBIQUE

### G. MINING

94. Over the past year interest in mining and petroleum prospecting in Mozambique has continued. Of the five groups which had already been awarded petroleum prospecting concessions in 1968, two have since obtained additional areas. A number of applications for prospecting and mining concessions are also under consideration and the Government has intensified its search for uranium and other radio-active minerals especially in the Cabora Bassa region, where promising traces have given rise to prospects of Mozambique becoming a major uranium producer in Africa in the next few years.

95. So far, however, apart from the income the Territory derives from petroleum prospecting, mining does not yet play a significant role in the economy of the Territory. In fact, according to the report of the Department of Geology and Mines for 1966, which is the latest available, although mineral production that year was generally higher than in the previous year, it was substantially below the peak level reached in 1961 for several of the key minerals, including colombo-tantalite, down from 137.6 tons in 1961 to 55.8 tons; beryl, from 978 tons to 80 tons; bismutite, from 22 tons to 2 tons; and coal, from 320,860 to 295,370 tons. In 1966 minerals valued at 51.4 million escudos made up 1.5 per cent of the Territory's total exports by value, compared with 1.9 per cent in 1965 and 1.6 per cent in 1961. z/ Production and export figures for 1965 and 1966 are shown in table 6 below, together with the principal countries of destination.

Petroleum

96. As reported previously there have been five groups, comprising eleven companies, engaged in petroleum prospecting in Mozambique since 1968. These are: (a) Sunray, Skelly and Clark; (b) Mozambique Gulf Oil Company and Mozambique Pan American Oil Company; (c) the Anglo-American Corporation, Société Nationale des Pétroles d'Aquitaine, Entreprise de Recherches et d'Activités Pétrolières (ERAP) and Gelsenkirchener Bergwerks Aktien Gesellschaft; (d) Hunt International Oil Company; and (e) Texaco, Inc. The Sociedade Nacional de Refinação de Petróleos de Moçambique (SONAREP), which has the only exclusive concession to refine petroleum in the Territory, has begun work to increase its capacity to 2 million tons by 1970.

97. Details of the original concession contracts are contained in a previous report; aa/ new developments since the last report are summarized below.

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z/ For the 1961 production and export figures see Official Records of the General Assembly, Twentieth Session, Annexes, agenda item 23 (A/6000/Rev.1), chap. V, annex I, p. 249.

aa/ A/7320/Add.1, appendix III, part II, paras. 120-151.

Table 6

Mozambique: Mineral production and exports, 1965-1966

| Mineral | Production (tons) 1965 | Production (tons) 1966 | Exports (tons) 1965 | Exports (tons) 1966 | Value of exports (million escudos) 1965 | Value of exports (million escudos) 1966 | Principal countries of destination a/ |
|---|---|---|---|---|---|---|---|
| Colombo-tantalite | 51.7 | 55.8 | 79.0 | 72.5 | 10.7 | 11.0 | United States and United Kingdom |
| Beryl | 219.2 | 80.0 | 221.0 | 82.0 | 1.4 | 0.7 | United States and Japan |
| Microlite | 85.0 | 79.4 | 90.3 | 70.0 | 16.1 | 13.4 | United States and United Kingdom |
| Montmorilonite | 2,722.9 | 3,841.9 | 2,587.6 | 3,445.8 | 1.8 | 2.6 | Netherlands, United Kingdom, South Africa, Portugal, Australia Belgium b/ |
| Coal | 237,499.0 | 295,369.5 | 98,665.2 | 75,005.6 | 27.1 | 18.3 | Kenya, Angola, Malawi |
| Calcopirite | 399.9 | 696.3 | 323.2 | 680.0 | 0.9 | 1.1 | Belgium |
| Bismutite | 5.6 | 2.0 | 5.2 | 1.0 | 0.4 | 0.1 | Netherlands |
| Bauxite | 5,683.0 | 5,818.0 | 5,661.0 | 5,890.0 | 0.4 | 0.4 | Southern Rhodesia |
| | | | | | (58.3) | (47.6) | |

Sources: For 1965: *Official Records of the General Assembly, Twenty-second Session, Annexes*, addendum to agenda item 24 (A/6868/Add.1), appendix III.

For 1966: Mozambique: *Boletim Oficial*, Series III, Supplement, 28 February 1968.

a/ In descending order of importance.

b/ In 1965 the principal countries were: Netherlands, Belgium and Australia.

98. Sunray, Skelly and Clark. This group, which received its original concession in October 1967, was reported in May 1969 to have completed preliminary seismic studies and was awaiting the reports on these studies. Though no oil has been found, the companies are reported to be optimistic.

99. Mozambique Gulf Oil Company and Pan American Oil Company. Mozambique Gulf Oil Company, whose original contract dates back to 1948, (see A/6000/Rev.1, chapter V, appendix, annex II, paras. 276-283), is reported to be planning to begin off-shore exploration drilling in July 1969 at a location eighty miles south of Beira and twenty miles off Nova Sofala on the coast. Since 1948, Mozambique Gulf Oil has made twelve testing holes, nine of which yielded no oil and three of which resulted in the discovery of large natural butane gas deposits. According to Mozambique Gulf's own account, it has already spent 800 million escudos on petroleum prospecting, including an average of at least 12 million escudos for each test drill, and 160 million escudos spent to put out a natural gas fire at Pande (see A/6700/Add.3, para. 292). The new 5,000-foot bore is expected to cost 78 million escudos.

100. It will be recalled that under the terms of their present contract (see A/7320/Add.1, appendix III, paras. 148-151), the two concessionaire companies are required to spend a total of 265 million escudos before 31 December 1970, with at least 75 million escudos being spent each year during 1968, 1969 and 1970. They were also required to spend at least 15 million escudos in 1968 in off-shore prospecting and another 15 million escudos in 1969 in off-shore test drilling.

101. Anglo-American, Aquitaine and Gelsenkirchener (Gelsenberg). As reported previously, in April 1968 Gelsenberg became a partner in the Anglo-American and Aquitaine group, presumably replacing Entreprise de Recherches et d'Activités Pétrolières. For this purpose, Gelsenberg was required to set up a subsidiary in Portuguese territory, registered, in accordance with Portuguese law, with a majority of Portuguese nationals on the board of directors. bb/ It was also required to pay 3 million escudos to the Government as a security (Decree No. 48,323, 8 April 1968).

102. In April 1969, the original conditions of this concession were changed to provide for direct Portuguese participation. Under Decree No. 48,979 of 23 April 1969 the Government authorized the signing of a new contract with Aquitaine of Mozambique, Companhia de Petróleos S.A.R.L.; Anmercosa Companhia de Petróleos de Moçambique, S.A.R.L.; cc/ and Gelsenkirchener Bergwerks Aktien-Gesellschaft (Gelsenberg). In addition to the two areas previously granted, the three companies will also have exclusive prospecting rights over an additional area, between latitudes 17° 45' and 19° south and longitudes 34° 45' and 36° east (see map). The companies undertake to increase the minimum amount to be spent in

bb/ The other three companies were originally required, jointly or separately or through intermediaries, to set up one or several Portuguese subsidiary companies.

cc/ Probably a subsidiary of the Anglo-American Corporation of South Africa.

prospecting over the three-year period from 140 million escudos to 260 million escudos or close to $US9 million. In addition they will also increase from 1 million to 2 million escudos their contribution to the Mining Development Fund.

103. Hunt International Company of Mozambique. In January 1969, Hunt International Company of Mozambique was granted exclusive petroleum prospecting rights for three years over the continental shelf of a coastal stretch of about 300 kilometres between Beira and Quelimane. Over the period of the contract, the company is required to spend some $US2 million in prospecting the new area.

104. Texaco, Inc. No further information is available on the Texaco concession.

105. Other concessions. In 1968, Geotécnica e Minas, Lda. requested an exclusive concession for prospecting petroleum in an area adjacent to that of Texaco, Inc. Also pending in 1968 were an application by an independent prospector, Mr. Alexandre Hutchings, and an application by the Companhia de Petróleos de Portugal. There is no information as to whether these concessions have been granted.

Iron

106. Mirrote. So far Mozambique's iron ore deposits remain undeveloped. Towards the end of 1968, the Japanese Sumitomo group cancelled its agreement to purchase the exploitation rights of iron ore at Mirrote where the reserves are estimated at 360 million tons with a 60 to 64 per cent iron content. According to press reports, Sumitomo decided to withdraw its offer of 100 million escudos for the exploitation rights after surveys failed to prove the existence of an estimated 60 million tons in one deposit and another 300 million tons in four nearby deposits. As reported previously, the Sumitomo group had planned to spend 1,350 million escudos ($US50 million) on the project, including the building of a mineral quay at Nacala and a 140-kilometre rail link between the mines and the port.

107. Tete region. There is no recent information on the progress made by the Companhia do Urânio de Moçambique in prospecting the exclusive iron ore concession it was granted in the Tete region. The company's exclusive rights to prospect for iron ore over a 55-square kilometre area in the Tete District, which it has had since 1961, were extended recently to the end of 1970 (Portaria (Order) No. 23,912, 12 February 1969). The company also has an exclusive concession for prospecting radio-active minerals but there is no information on any recent developments.

108. Mecuco. Towards the end of 1968 there was also a report of the discovery of new iron ore deposits in the Mecuco area of northern Mozambique. These deposits, which are estimated at 60 million tons with 20 million tons confirmed, are located fifteen miles from the railway line to the port of Nacala. Several consortia were said to be negotiating for the rights to exploit the deposits.

Other minerals

109. Details of the exclusive prospecting and mining concessions as at 31 December 1966, which are the latest available, are shown in table 7. It may be noted that there were few new mining activities in 1965 and 1966 and a number of concessions which had been in force in 1960-1961 were not renewed. These included a 2,640-square-kilometre exclusive concession for prospecting and exploitation of all minerals, excluding petroleum, hydrocarbons and allied substances, given up by Empresa Mineira do Alto Ligonha, which, however, acquired a total of 2,471 hectares of claims for the mining of beryl, colombo-tantalite, bismutite, columbite and mica.

110. In July 1968, the Messina Transvaal Development Company, Ltd. was granted an exclusive concession to prospect for all minerals except diamonds, petroleum, coal, solid fuels and radio-active materials (Portaria No. 23,515, 30 July 1968). The area of the concession is bound on one side by the thalweg of the Pungué River and lies between parallels $19^{\circ}$ 25' to $19^{\circ}$ 33' south and longitudes $33^{\circ}$ 38' to $33^{\circ}$ 54' east (see map). Prospecting rights are for an initial period of two years, renewable for two periods of a year each. The company is required to spend a minimum of 3 million escudos a year in prospecting.

111. The Messina Transvaal Development Company is a South African company, registered in 1950, which operates a copper mine at Messina in the Northern Transvaal. The company which has a number of interests in Southern Rhodesia, mainly in copper and copper smelting, has an authorized capital of R5 million, dd/ of which $R4,925,000 has been issued. In 1964, the company's fixed assets amounted to R28 million; its net profits were R3,520,617 to the company and R875,750 to minority interests and it distributed a dividend of 45 cents on the 9,850,000 stock units of 50 cents each. Its subsidiaries are Arton Copper Company, Limited, M.T.D. Copper (Sales) Limited, M.T.D. Mangula, Ltd., M.T.D. (Santa), Ltd., The Messina (Rhodesian) Development Company, Ltd., and the Rhodesian Smelting Company, Ltd. ee/

112. In January 1968 Geotécnica e Minas was granted fourteen claims, totalling 1,302.3 hectares, for the exploitation of ilmenite, rutilo, zirconite and other minerals. The company's rights to mine these minerals are for an unlimited period so long as it fulfils its tax and other obligations. Another twenty-three claims have been reported recently, covering an area of about 1,000 hectares. These include mainly deposits of colombo-tantalite and combinations of beryl and columbite or tantalite in the Zambezia District. There were also two iron deposits, one in the Moromba area of the Moçambique District, and the other at Mavita in Manica; and a coal deposit about 15 kilometres from Porto Amélia. The Empresa Mineira de Alto Ligonha filed claims for five deposits of beryl, lépidolithe tourmalines and two deposits of bismuth and colombo-tantalite.

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dd/ One rand equals $US1.40.

ee/ Beerman's Financial Yearbook of Southern Africa, 1965, vol. I, Johannesburg, 1965.

## Table 7

### Mozambique: Mines and mining concessions, 31 December 1966

### A. Exclusive concessions

| | Area (square kilometres) |
|---|---|
| 1. Exclusive concessions for prospecting and exploitation | |
| Coal | |
| Companhia Carbonífera de Moçambique | 420 |
| Hydrocarbons | |
| Mozambique Gulf Oil and Mozambique Pan American Oil | 116,750 |
| Diamonds | |
| DIAMOC - Companhia dos Diamantes de Moçambique | 32,900 |
| 2. Exclusive concessions for prospecting ferrous metals | |
| Companhia do Urânio de Moçambique | 55 |
| Radio-active minerals | |
| Companhia do Urânio de Moçambique | 2,260 |

### B. Mining concessions for exploitation

| | Area (hectares) |
|---|---|
| Beryl, colombo-tantalite, bismutite, columbite and mica | |
| Empresa Mineira do Alto Ligonha | 2,471 |
| Sociedade Mineira de Mucubela, Lda. | 796 |
| Sociedade Mineira de Mutala, Lda. | 672 |
| Sociedade Mineira de Marropino, Lda. | 490 |
| João da Costa Pinheiro | 200 |

Table 7 (continued)

| | Area (hectares) |
|---|---|
| **Beryl, colombo-tantalite, bismutite, columbite and mica** (continued) | |
| Maria Alzina Simão | 198 |
| Sociedade Mineira de Mocuba, Lda. | 179 |
| Calisto Freiria | 104 |
| Adrião de Faria Gonçalves | 94 |
| **Coal** | |
| Companhia Carbonífera de Moçambique | 3,076 |
| **Gold** | |
| Empresa Mineira do Alto Ligonha | 201 |
| Jeannie R. Morgan | 29 |
| Companhia Mineira Aurífera Monarch, Lda. | 15 |
| Mário Paskievich Chikara | 10 |
| Irene Augusta dos Santos Lopes | 10 |
| Bernardino Lourenço Cabral | 10 |
| Two Fools Mine, Syndicate | 7 |
| **Radio-active minerals** | |
| Vicente Ribeiro e Castro | 1,200 |
| Minas do Catipo, Lda. | 707 |
| Entreposto Comercial de Moçambique | 200 |
| Virgílio Hipólito | 100 |
| **Perlite** | |
| Joaquim Jaime Moinhos | 282 |
| **Montmorilonite, cristobalite and perlite** | |
| Luzinada Umbelúzi Minas, Lda. | 782 |
| **Graphite** | |
| Sociedade Mineira do Itotone, Lda. | 200 |
| Grafites de Moçambique, Lda. | 196 |

Table 7 (continued)

| | Area (hectares) |
|---|---|
| Copper | |
| Francesco Gibelino (heirs) | 300 |
| Calcopirite | |
| Edmundian Investments (Proprietary), Lda. | 202 |
| Bauxite | |
| Evian Campbell Meikle | 149 |
| Salt | |
| André de Vasconcellos Durão | 219 |
| Limestone | |
| Berta Ferrão de Melo Caiado | 170 |
| Berta Ferrão de Melo Caiado and António Gomes de Melo Caiado | 186 |
| Koalin | |
| Estêvão Guerreiro de Almeida Lima | 195 |
| Diatomite | |
| Kieselghur, Lda. | 36 |

113. New finds of minerals reported in 1969 include a perlite deposit near Lourenço Marques between Machava and Vila Salazar, and another bauxite deposit not far from Vila de Manica.

114. Although General Kaulza de Arriaga said in May that an active search is being made for radio-active minerals in Mozambique where promising traces have been found, as yet no new deposits have been reported.

Effects of mining developments

115. As the foregoing paragraphs have shown, most of the activity in the mining sector in Mozambique is still limited mainly to prospecting. The only proven deposits of iron ore appear to be still subject to studies to determine whether they can be economically extracted.

116. Nevertheless as government sources have indicated, the petroleum prospecting concessions granted to date are already contributing to the territorial budget. The available information shows that these concessions already cover more than 100,000 square kilometres so that the surface rent alone, at 150 escudos per square kilometre, may be expected to amount to over 150 million escudos a year. For 1969, this revenue would represent about 2.5 per cent of the Territory's total estimated budget. In addition, the foreign petroleum companies are required to spend a total of some 250 million escudos in prospecting in 1969, in accordance with the terms of their respective contracts.

## H. AGRICULTURE

117. Unlike Angola, where mining is becoming increasingly important, there has been no significant change in Mozambique's economic structure in which agriculture and production for export of agricultural commodities remain the most important activities.

118. Available information shows that in the period 1965 to 1967 agricultural products continued to account for an average of 79 per cent of the total value of exports. Estimated production figures (table 8) show that gains in output were registered mainly by a few export crops, such as cashew, cotton, sugar and tea and commercially grown maize, rice and peanuts. Except for sorghum, the output of most of the African grown food crops such as beans, peas, cassava and sweet potatoes, showed no significant change.

119. Nor has there been any change in the pattern of agricultural exports, four fifths of which continue to be accounted for by six major crops - cotton, cashew, sugar, copra, tea and sisal - with all the cotton and sugar going to Portugal, most of the tea going to the United Kingdom and most of the cashew kernels going to the United States of America (table 9).

120. As reported previously, government policy in recent years has been aimed primarily at the increase in production for export, and the encouragement of European settlement and farming through government assistance in the promotion of commercially grown cotton, rice, maize and peanuts (A/6868/Add.1, appendix III, para. 130). In the last few years, however, as part of its strategy to bring an end to the war in the north, the Government has begun to resettle the local population in organized villages where they are assigned small plots of free land and given seed and fertilizer to grow certain cash crops. A start has also been made to help African producers through better guaranteed prices for their crops and the organization of producer co-operatives.

121. The new developments are summarized in the following sections.

Table 8

Mozambique: Estimated production of principal crops, 1960-1967

| Crop | 1960-1964[a] | 1965[b] | 1966[b] | 1967[b] |
|---|---|---|---|---|
| | (thousand metric tons) | | | |
| Bananas | 39 | 30 | 25 | 16 |
| Beans and peas | 90 | 90 | 95 | 95 |
| Cashew nuts | 111 | 120 | 100 | 170 |
| Cassava (manioc) | 1,000 | 1,000 | 1,000 | 1,000 |
| Citrus | 16 | 15 | 15 | 15 |
| Copra[c] | 62 | 45 | 55 | 60 |
| Corn (maize) | 330 | 385 | 440 | 500 |
| Cotton seed | 73 | 80 | 88 | 82 |
| Cotton lint | 36 | 39 | 44 | 40 |
| Kenaf | 1 | 2 | 7 | 8 |
| Peanuts (unshelled)[c] | 44 | 94 | 109 | 101 |
| Rice[c] | 45 | 55 | 55 | 55 |
| Sisal | 28 | 31 | 27 | 31 |
| Sorghum | 120 | 221 | 225 | 230 |
| Sugar (raw) | 166 | 165 | 179 | 210 |
| Sweet potatoes | 40 | 46 | 46 | 46 |
| Tea | 10 | 11 | 14 | 14 |
| Tobacco | 2 | 3 | 3 | 3 |
| White potatoes | 15 | 20 | 25 | 30 |
| Wheat | 8 | 8 | 8 | 8 |

Source: U.S. Department of Agriculture. Economic Research Service. Mozambique's Agricultural Economy in Brief, by Edmond Missiaen.

a/ Average.

b/ Annual production.

c/ Commercial production only.

Table 9

Mozambique: Principal exports and leading countries of destination, 1966-1967

| Commodity and country of origin | 1966 Tons (thousand) | 1966 Value (million escudos) | 1966 Percentage of total by value | 1967 Tons (thousand) | 1967 Value (million escudos) | 1967 Percentage of total by value |
|---|---|---|---|---|---|---|
| Cotton lint | 28.2 | 491.9 | | 38.2 | 638.5 | |
| Portugal | 28.2 | 491.9 | | 38.2 | 638.5 | 100 |
| Cashew (unshelled) | 77.2 | 436.5 | | 56.2 | 308.6 | |
| India | 77.1 | 435.9 | 99.8 | 56.2 | 307.5 | 99.6 |
| Sugar | 147.1 | 466.1 | | 109.4 | 329.1 | |
| Portugal | 146.5 | 463.7 | 99.5 | 106.1 | 319.7 | 97.2 |
| Tea | 12.9 | 253.9 | | 14.4 | 259.4 | |
| United Kingdom | 8.3 | 161.8 | 63.7 | 10.2 | 193.9 | 74.7 |
| United States | 1.2 | 24.0 | 9.4 | 1.1 | 18.1 | 6.9 |
| Kenya | 1.0 | 20.1 | 7.9 | 0.5 | 6.6 | 2.5 |
| Netherlands | 0.7 | 11.7 | 4.6 | 1.4 | 18.6 | 7.2 |
| Canada | 0.6 | 10.3 | 4.1 | 0.5 | 6.8 | 2.6 |
| Copra | 33.9 | 168.6 | | 42.9 | 191.4 | |
| Spain | 9.2 | 43.7 | 25.9 | 12.4 | 55.4 | 28.9 |
| Portugal | 8.6 | 42.8 | 25.4 | 9.3 | 39.2 | 20.5 |
| Israel | 5.4 | 30.9 | 18.3 | 2.5 | 12.7 | 6.7 |
| Norway | 4.3 | 21.9 | 13.0 | 4.6 | 21.5 | 11.2 |
| Italy | 2.6 | 12.0 | 7.1 | 17.6 | 17.6 | 9.2 |
| Cashew kernels (shelled) | 5.7 | 161.1 | | 8.1 | 222.8 | |
| United States | 4.6 | 128.9 | 80.0 | 6.5 | 180.4 | 80.9 |
| South Africa | 0.3 | 9.5 | 5.9 | 0.4 | 11.0 | 5.0 |
| Australia | 0.2 | 7.4 | 4.6 | 0.2 | 4.6 | 2.1 |
| Germany (Federal Republic of) | 0.1 | 4.5 | 2.8 | 0.4 | 9.0 | 4.1 |
| Sisal | 26.7 | 128.9 | | 23.2 | 100.0 | |
| Netherlands | 8.0 | 38.4 | 29.8 | 4.3 | 16.7 | 16.7 |
| Portugal | 4.9 | 24.9 | 19.3 | 5.8 | 26.8 | 26.8 |
| France | 4.4 | 20.9 | 16.2 | 2.3 | 9.3 | 9.3 |
| Germany (Federal Republic of) | 2.9 | 14.1 | 10.9 | 2.8 | 11.0 | 11.0 |
| South Africa | 0.8 | 3.9 | 3.0 | 4.2 | 20.8 | 20.5 |

Sources: Portugal: Anuário Estatístico, 1966, vol. II.
Mozambique: Boletim Mensal de Estatística, April 1968.

Sugar

122. As reported previously, since 1964 a major expansion has been taking place in the sugar industry in Mozambique. In addition to a 400-million escudo development programme begun by Sena Sugar Estates in 1965 to increase production to 200,000 tons, two new companies have been established, each with a target capacity of 60,000 tons a year. New investments, which to date have already exceeded 500 million escudos, are expected to total 1,250 million escudos when the present expansion plans are completed in 1970 (A/7320, appendix III, paras. 165 ff).

123. The Açucareira de Moçambique, S.A.R.L., ff/ which has a concession of 15,000 hectares on the banks of the Pungué River near Beira, has successfully started a new pattern of production based on out-growers who are settled on independently owned and operated farms located around the central processing facility to which they supply sugar cane and from which organization they receive technical and financial assistance. In 1968, there were already 400 settlers who produced an average of 60 tons of cane per hectare. There were also two larger plantations, one of 800 hectares financed by capital from Southern Rhodesia and one of 1,000 hectares financed by South African capital. In the 1968 season, the company paid 180 escudos per ton of cane and the income on 50 hectares of sugar cane amounted to 540,000 escudos.

124. The company plans to irrigate the prepare another 1,800 hectares for settlements of 50 hectares each. In November 1968, the company was authorized to increase its registered capital from 100 million to 130 million escudos by an issue of new shares for public subscription in Mozambique.

125. The Marracuene Agrícola Açúcareira (Maragra), which received a loan of 250 million escudos from the National Development Bank in 1968, has awarded a contract to a South African firm for the construction of irrigation works and the sugar mill at Manhica. The mill is being financed by the South African Development Corporation.

126. Since beginning the new expansion programme in 1965, Sena Sugar Estates Ltd. has substantially increased its production in the last two years. In 1967 production was 129,468 tons and in 1968 it was 148,222 tons. (The target capacity, as mentioned already, is 200,000 tons by 1970.) In the period 1967-1968 the company's pre-tax profits rose by £400,000, from £1.4 million to £1.8 million. The declared dividend, which was 4.5 per cent in 1967, was expected to remain at the same level. Sales of refined sugar in Portugal by the company's subsidiary, Sociedade Indústrial do Ultramar (SIDUL) amounted to 71,827 tons in 1968, against 76,291 tons in the previous year.

127. According to its latest annual report, the Companhia do Buzí, which in 1968 celebrated its seventieth anniversary in Mozambique, has maintained its sugar

ff/ For details of the company see A/6868/Add.1, appendix III, paras. 134-136.

production capacity at 45,000 tons a year but has diversified into various other crops, including cotton, rice, mapira, kenaf, peanuts and sunflower. It also has an alcohol plant producing 2 million litres a year and a trading subsidiary, Entreposto Comercial de Moçambique, S.A.R.L.

128. There is no new information on the other sugar producer, the Sociedade Agrícola do Incomati, S.A.R.L.

129. Statistics on Mozambique's sugar exports to Portugal are shown in table In 1966 and 1967, Mozambique supplied 78.1 and 79.4 per cent of Portugal's total sugar imports. Owing to the short fall in sugar exports from Angola, Portugal had to purchase some 30,000 tons from other sources each year. The Portuguese Press has referred to this situation as the "sugar crisis". (See A/7623/Add.3 and Corr.1, chapter VIII, annex III, paras. 53-54.)

Table 10

Mozambique: Sugar exports to Portugal, 1961-1967

| Year | Quantity (tons) | Value (million escudos) | Percentage of total value of Mozambique's exports |
|---|---|---|---|
| 1961 | 113,843 | 324.9 | 12.75 |
| 1962 | 129,931 | 345.1 | 13.20 |
| 1963 | 124,896 | 327.5 | 11.31 |
| 1964 | 83,347 | 245.7 | 8.07 |
| 1965 | 94,936 | 291.8 | 9.40 |
| 1966 | 147,069 | 466.1 | 14.50 |
| 1967 | 109,451 | 329.1 | 9.40 |

Source: Mozambique. Anuario Estatístico 1961-1964 and Boletim Mensal de Estatística. March 1967 and April 1968.

Cotton

130. According to the latest estimates, Mozambique's cotton production in the 1968/1969 season was expected to reach almost 130,000 tons, the highest output

since the abolition of the cotton régime. gg/ There is no recent information on the number of African growers or the total area under cotton.

131. Government efforts to increase cotton production have mainly been channelled through the Mozambique Cotton Institute, which took over the field staff of the former concessionaires and their functions vis-à-vis the African cotton growers as each concession was eliminated. In 1968, the Cotton Institute had 200 field offices in twenty-two cotton growing sectors. Apart from supervising production and marketing of cotton and promoting improvements in the quality and quantity of production, the institute has successfully helped to establish a number of cotton growing colonatos and ordenamentos, hh/ especially in the southern part of Manica e Sofala and in the district of Mozambique. These include the Muite colonato, (Imala) and the Lipito and Cabo António ordenamentos. At Muite there are eight Europeans and eighty Africans cultivating a total area of 500 hectares. At the Lipito ordenamento (Mcma) established since 1965, there are 1,000 growers cultivating an area of 3,000 hectares. At Cabo António (Imala) so far only thirteen farmers have been settled on an area of 250 hectares. In an average year, about 36 per cent of the institute's loans, amounting to about 5.3 million escudos, has been provided to independent cotton growers in the Mozambique District.

132. The Cotton Institute has also helped in the development of irrigated cotton growing. Since 1963, more than 1,200 hectares have been irrigated as areas for European cotton growing south of the Save River, including 300 hectares at Maguco in Lower Limpopo, 300 hectares in Macupulane in Magude and 300 hectares in Baieca, in Chicuto.

133. In 1968, the Cotton Institute's ordinary budget amounted to 121 million escudos, of which 22 million escudos was for credit to cotton growers and 35.5 million escudos for the development of cotton production.

134. The Territory's cotton lint exports for the period 1961-1967 are shown in table 11. No recent information is available on the local consumption of cotton lint and the production of cotton textiles. It may be noted that since all of the

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gg/ In 1960 Mozambique's output of raw cotton reached a peak of 140,000 tons. For a description of the cotton régime up to 1961 and subsequent developments, see Official Records of the General Assembly, Twenty-first Session, Annexes, addendum to a.i. 67 (A/6300/Rev.1), chap. V, annex, appendix I, paras. 70 ff.

hh/ According to the original Portuguese source, a colonato is a group of farmers who are settled with the technical and financial assistance of the Institute; they produce cotton together with food crops, practising crop rotation. An ordenamento is a spontaneous settlement in which the farmer himself clears the land and builds his own house, and the Institute provides the necessary financial assistance on a loan basis.

Territory's cotton lint exports go to Portugal, once local needs are met, increased production may be expected to result automatically in an increased supply to the Portuguese textile industry. In 1967, Portugal imported a total of 77,000 tons of cotton lint; of this, 38,000 tons, or 50 per cent, were supplied by Mozambique and 6,300 tons, or 8.8 per cent by Angola. Although Portugal regularly purchases some long staple-cotton from foreign sources, government policy encourages the industry to purchase the bulk of its requirements from the Territories. In December 1968, for instance, to ease the financial crisis of the Portuguese textile industry, the Government authorized two agencies (Fundo de Abastecimento and Fundo de Fomento de Exportação) to guarantee loans for the purchase of cotton from the overseas Territories, up to a total of 250 million escudos.

Table 11

Mozambique: Cotton lint exports to Portugal, 1961-1967

| Year | Quantity (tons) | Value (million escudos) | Percentage of total value Mozambique's exports |
|---|---|---|---|
| 1961 | 40,777 | 690.3 | 27.10 |
| 1962 | 34,933 | 606.9 | 23.22 |
| 1963 | 31,564 | 523.2 | 18.06 |
| 1964 | 32,445 | 564.8 | 18.56 |
| 1965 | 31,339 | 553.7 | 17.82 |
| 1966 | 28,164 | 491.9 | 15.33 |
| 1967 | 38,227 | 638.5 | 18.24 |

Source: Mozambique, Anuário Estatística 1961-1964 and Boletim Mensal de Estatística, March 1967 and April 1968.

135. In 1969, the Mozambique Cotton Institute was reported to have started a large-scale campaign to improve the quality of the cotton and to increase production. The campaign, which is reported to include the introduction of new cultivation techniques, is aimed at placing Mozambique in a better position to compete in the international market, when the present guaranteed quotas and prices by Portugal end.

Cashew

136. The introduction of mechanized shelling several years ago, which was expected to improve substantially the Territory's balance of trade through dollars earned by

cashew kernels, has not fulfilled the early hopes. On the one hand, in spite of the new investments, ii/ mechanization has not yet reached a satisfactory standard and, on the other, the rise in world prices for unshelled cashew has reduced the margin of profit on the cashew kernel. As a result, the total cashew exports (unshelled nut and kernel) dropped from 20 per cent of the total value of the Territory's visible exports in 1964 to 15.2 per cent in 1967.

137. As reported previously, in 1967 there were already indications that the cashew industry had begun to face a price squeeze (see A/7320/Add.1, appendix III, para. 185). To help the shelling factories, the Mozambique Government issued an order in September 1968 fixing the price to be paid for cashew at the various stages of transaction, jj/ prohibiting the export of cashew from the whole region south of the Save River where some of the major factories are located and providing for the compulsory sale to the Government of all cashew not sold to the factories by the end of April 1969 (see A/7623/Add.3 and Corr.1, chapter VIII, annex III, paras. 49-50). These measures have since been criticized in an article in the Territory's leading monthly economic paper, and the article in turn has been reproduced in the influential Portuguese periodical in Lisbon.

138. The article points out that while the government measures protect the cashew shelling industry, the interests of the trader (cantineiro) and, to a certain extent the economic interests of the Territory, they do not benefit the primary producer, especially the African farmer who is responsible for the bulk of the cashew. The article points out that although the government prices require 2.20 escudos per kilogramme to be paid to the primary producer, this is rarely if ever paid. Usually the producer receives only 1 escudo per kilogramme and often in goods from the trader, not in cash. In contrast, the factory purchase price is fixed at 3.10 escudos to 3.30 escudos so that the trader receives 2.10 escudos to 2.30 escudos per kilogramme. Furthermore, apart from the question of prices, the African producer also faces a land problem, for while cashew takes five to six years to mature, he "does not have the elementary guarantee of remaining on the land he is cultivating from one year to the next". The article suggests that the Government adopt a policy of granting land concessions to the African farmer to safeguard his land from occupation by others. It also suggests that assistance should be provided to African producers to help them organize producer co-operatives which could sell directly to the factories without a trader.

139. In March 1969, one of the local newspapers in Lourenço Marques published comments on the government measures by the cashew traders and by representatives of the cashew industry. From these comments, it appears that one of the main difficulties of the cashew shelling factories is the high world price for unshelled cashew which is currently 6,300 escudos/ton CIF. Since transportation costs

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ii/ See A/7320/Add.1, appendix III, table 9.

jj/ For a general description of the regulations and controls of agricultural products, see A/6300/Rev.1, chap. V, annex, appendix I.

per ton do not exceed 1,800 escudos, the trader who is compelled to sell cashew nuts to the shelling factories at 3.30 escudos/kilogramme, in effect, loses 1,700 escudos per ton which he would have earned from exports. Because of the higher export price, some of the shelling factories have had difficulty in securing an adequate supply: of the estimated production of 60,000 tons a year, the industries south of the Save River have only been able to purchase 45,000 to 50,000 tons a year, although the factories located in this region have a total annual capacity of almost 58,000 tons: Caju Industrial, 20,000 tons; Cajuca, 15,000 tons; Mocita, 15,000 tons; Spence and Pierce, 6,000 tons (authorized to increase to 12,000 tons); and Indústrias de Manjacaz, 1,500 tons.

140. The cashew shelling industry in Mozambique also finds difficulty in competing on the world market where the price for cashew kernels has dropped in recent years to about 30,000 escudos a ton. Since five tons of unshelled nuts are needed to produce one ton of kernels, and there is a sobrevalorização tax of over 4,000 escudos on each ton of kernels exported, the margin of profit has also decreased. For the mechanical shelling plants, the profits are even smaller, since much of the new machinery is still being amortized.

141. In May 1969, an article in another paper criticized the Mozambique cashew industry and the low prices paid to the primary producer which, it said, discouraged efforts to increase production. It called for an early review of the "mysterious" economics of the Mozambique cashew industry so that measures could be taken to improve the situation before the Territory lost one of its major resources.

142. In spite of these economic difficulties, the cashew industry is still expanding. In February 1969, Indústria de Caju Mocitas, which is jointly owned by South African and Italian interests, kk/ announced plans to build a new shelling factory at António Enes in Cabo Delgado District, with a capacity of 15,000 tons a year. The company has also requested from the Government two areas of land concessions of 10,000 hectares each for cashew plantations. One of these areas is near António Enes and the other is in the southern part of the Territory.

143. The Sociedade Industrial de Caju e Derivados (CAJUCA) has also increased its registered capital from 10 million to 30 million escudos.

Other crops

144. As previously reported (A/7623/Add.3 and Corr.1, chapter VIII, annex III, paras. 58-66), there has been no major change in the situation as regards the other principal export crops, except for the development of tobacco as a new cash crop. Apart from maize, of which the Territory has had a surplus in the last two years, the output of food crops is still insufficient to meet local needs. In 1969, for instance, there was a shortage of milled rice in the market, reportedly caused by a rise in consumption on the one hand and unfavourable weather conditions on the other.

kk/ For details see A/7320/Add.1, appendix III, para. 181; A/6300/Rev.1, chap. V, annex III, para. 130.

145. The Territory has also begun to experience a shortage of peanuts for the local vegetable oil industry. In 1968, the grémio of the vegetable oil industry obtained a loan of 200 million escudos from the Banco Nacional Ultramarino to enable it to purchase any surplus peanut stock available. Nevertheless, early in 1969 one of the factories, FASOL, was authorized to import 2,500 tons of shelled peanuts, and another 4,000 tons of unshelled nuts are to be imported during the year. Since peanuts are grown mainly as a food crop by some 450,000 Africans and only the surplus reaches the market, there is a new move to encourage commercial plantation production of peanuts to ensure the survival of the vegetable oil industry.

## I. LAND SETTLEMENT AND RURAL DEVELOPMENT

146. Government-sponsored settlement schemes, which have hitherto been limited to a number of river valleys, 11/ are now being given high priority in the northern districts as part of the new defence strategy. Two types of settlement are under way, one involving the settlement of individual farming families and one involving the large-scale resettlement of the African population into organized villages, referred to as "aldeamentos".

147. In March 1969, it was reported that the Mozambique Provincial Settlement Board was giving top priority to the settlement in the next six years of 1,000 families in the Districts of Cabo Delgado and Niassa. This plan, which is expected to cost hundreds of millions of escudos, aims at securing the Mozambique frontiers against "the enemy" by establishing a belt of settlers in the northern part of the Territory. In Cabo Delgado where fifty settlers were established in 1968, 800 more are to be settled at the rate of 150 per year. Each settler receives a house, twenty-five head of cattle and 250 hectares of land, of which 100 hectares is for crops and the remainder for pasture. Government assistance is estimated to cost 250,000 escudos per family, including the clearing of the 100 hectares of land, the materials and labour for the house, cost of living subsidy for one year and financing of the farm during the first year of operation. The settlers are expected to repay the Government a part of this cost on an instalment basis.

148. In the Niassa District, 300 settlers are to be established at a rate of fifty a year. The basic crops are to be maize, potatoes, wheat, cotton, rice and peanuts, depending on the soil. Livestock will also be provided.

149. The Government plans to recruit settlers for the north from within the Territory and from Portugal and the adjacent islands, and hopes that this form of settlement will ensure a strategic and economic occupation of the heretofore sparsely populated areas.

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11/ For a description of the government-sponsored settlement schemes prior to 1965 see A/6000/Rev.1, chap. V, appendix, annex II, paras. 274 ff.

150. In the Cabo Delgado District, a number of African aldeamentos have already been established. According to a recent article, there are three types of such settlements. First are those regarded as the front line of defence. These are situated in the vicinity of Mocímboa do Rovuma, Quionga, Palma, Mocímboa da Praia and Mueda. These are villages surrounded by barbed wire and their main purpose is to provide organized local defence. The second category of African settlements is intended to serve an economic and strategic function. These are quadrangle-shaped, large settlements located in carefully selected areas. All the houses are detached and are set out in rows around a large area of free land. One such settlement near Balama, which was built in 1967, has a population of 1,700 persons. Here, each family has been given one hectare of cleared land for growing cotton and food crops. Some families cultivate three to four hectares. The cotton crop alone is estimated to provide each family with a minimum of 4,000 to 5,000 escudos a year. The Government provides them with free use of farming tools, insecticides and technical guidance. Similar villages exist at Nancaia and Murrola.

151. The third type of settlement is built on the same line as the second, but the houses are of a more permanent type. In some villages of this type the Government has started vocational training classes, such as carpentry.

152. In the Moçambique District the Provincial Settlement Board has helped in the establishment of twenty settler families, most of them of ex-servicemen, in the Ribaué area. Each family has been given a house, 100 hectares of free land already cleared, ten cattle and some smaller livestock. The main crop is tobacco and the annual income per family from this source alone in some cases amounts to 150,000 escudos.

153. Some of the African population in this area is also being resettled. At the Meti Post in the Ribaué concelho, which is bordered by the Lurio River in the north, the resettlement of the population has been followed by the distribution of land to each family and the drilling of wells to provide drinking water.

154. In a recent interview, the Governor-General affirmed that the settlement schemes envisaged under the Third National Development Plan would be given priority: existing "nuclear" settlements were to be expanded and new ones established in the coming year. He named the following main centres for new settlements: Nova Freixo, Maúa, Marrupa, and the region of Mecanhelas, including Licma and Molumbo in the Niassa District; Montepuez and Balama in Cabo Delgado; and Mecumbura, Magoè, Marara, Tete, Mandié, Changara and Choco in Tete District.mm/ Expansion of existing settlements was envisaged at Milange and Gurué in Zambezia; Ribaué in Moçambique; Revuè in Manica e Sofala; and Maputo in Lourenço Marques. African settlement, which is considered as an integral part of the Plan is to be undertaken in all districts.

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mm/ All are centres where there has been guerrilla activities in the last few years.

## J. TRANSFORMING INDUSTRIES AND OTHER INVESTMENTS

155. Details on the performance of this sector in 1968 are not yet available. nn/ Preliminary reports, however, show that in general the upward trend in investments has continued. Among the large agro-industries for instance, those announcing an increase in registered capital included: Sociedade Agrícola do Madal, oo/ to 100 million escudos; Companhia Nacional Algodoeira, to 45 million escudos; Monteiro e Giro, Lda., pp/ to 156 million escudos; Sociedade Chá Oriental Lda., to 30 million escudos; Sociedade Chá Gurué Lda., to 25 million escudos. Other industries which increased their registered capital include: Lusalite de Moçambique (fibro-cement), to 60 million escudos; Fábricas de Cerveja Reunidas de Moçambique (beer), to 200 million escudos; Fábrica de Cerveja da Beira (beer), to 90 million escudos; and Sociedade Industrial de Oleos (vegetable oils), to 50 million escudos.

156. Among other developments are the establishment of a new factory by Téxtil de Lourenço Marques (TEXLOM), S.A.R.L., which is controlled by the FASOL group and which will be financed by Compagnie Générale d'Entreprises Electriques, S.A.; a new factory to process fruit juices, preserves and fruit-based liquors, Fábrica de Produtos Ideal, with a capital of 30 million escudos, and a Japanese match factory with a capacity of 500 tons a month, involving an investment of 14.4 million escudos.

157. Most of the new industries, however, are small, with a registered capital of between 1 million to 5 million escudos or below. Of these, a significant proportion are service industries, such as tourism, transport services, automobile repair works, printing, including one labour agency for South Africa, Agência de Colocação de Trabalhadores para a Africa do Sul.

## K. THIRD NATIONAL DEVELOPMENT PLAN

158. As previously reported, the Third Nationsl Development Plan, 1968-1973, for Mozambique envisages a target investment of 15,555.7 million escudos over the six-year period. Of this amount 4,050 million escudos is to be provided from foreign sources (A/7320/Add.1, annex III, table 11).

159. According to a newspaper report, the authorized expenditure for 1969 amounts to 3,238 million escudos, compared with 2,249.6 million escudos for the previous year. Of this amount, the private sector is expected to invest 725 million escudos in refinancing and the establishment of new industries, and the two private electric power concerns, Sociedade

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nn/ Information relating to 1967 is summarized in A/7623/Add.3 and Corr.1, chapter VIII, annex III, paras. 76-79. See also A/7320/Add.1, appendix III, paras. 194-207.

oo/ See A/6300/Rev.1, chap. V, annex, appendix III, paras. 145-146.

pp/ Ibid., para. 31.

Hidroeléctrica do Révuè (SHER) and SONEFE, are expected to invest 105 million escudos, bringing the total from the private sector in Mozambique to 830 million escudos. Foreign sources will provide 500 million escudos: 250 million escudos for petroleum prospecting and 250 million escudos for the transport and communications sector, including, reportedly, 219 million escudos from the United States for the purchase of two Boeing 737 airplanes for internal transportation in Mozambique. The Mozambique Harbours, Railways and Transport Administration, which is an autonomous body, is expected to spend 750 million escudos from its own resources for ports and railway improvements (with 80 million escudos to be spent on the Beira Railway) and motor vehicles for a trucking service.

160. Government sources will provide over 1,000 million escudos as shown below.

Table 12

Third National Development Plan, 1968-1973

Target government expenditure in 1969

| | | Million escudos |
|---|---|---|
| Agriculture, forestry and fisheries | | 230 |
| Mining infrastructure | | 21 |
| Rural improvement | | 22 |
| Rural markets | | 25 |
| Transport and communications: | | 446 |
| Airports | 110 | |
| Roads | 300 | |
| Maritime services and lighthouses | 15 | |
| Telecommunications | 21 | |
| Education and research | | 145 |
| Housing and urban development | | 74 |
| Health and welfare services | | 70 |

## L. OTHER DEVELOPMENTS

161. As reported previously, in July 1968 the contract for the first phase of the construction of the Cabora Bassa dam was awarded to Consórcio Hidroeléctrico do Zambeze-Zamco in July 1968 (A/7320/Add.1, appendix III, paras. 214-215). Although press reports indicate that by the end of last year the Portuguese Government had authorized Zamco to begin the preliminary preparatory work, the contract has not yet been signed, and negotiations are said to be still going on.

162. The current situation is unclear. In April 1969, during his visit to Africa, Prime Minister Caetano said that the Government had awarded Zamco the contract on a provisional basis pending the settlement of certain details on which the interests of the group did not coincide with those of Portugal, and that the provisional award had since lapsed. However, he emphasized that the dam would be built.

163. On the South African side, the Government has reaffirmed its commitment to purchase power from the dam. A spokesman for the Anglo-American Corporation, which heads Zamco, said in April 1969 that the company was waiting to be officially informed of the lapsing of the provisional award. In May, however, the Portuguese Government made it known that it had reopened negotiations with two of the other consortia that had tendered bids. Reportedly, the official reason is that Zamco failed to meet certain requirements stipulated by the Portuguese Government. One of the consortia currently involved is the Cabora Bassa Builders, comprising one United States, one French and one Portuguese firm and the Roberts Construction Consortium, a South African firm. The other consortium is the Cabora Bassa Construction Consortium, comprising five British firms, two Italian, one Portuguese and a South African firm.

164. There has been some speculation in the Press that the Portuguese Government wants to avoid a predominant control of South African interests. It is noted that when Prime Minister Caetano spoke of the Cabora Bassa dam, he cited it as an example of Portugal's willingness to collaborate with other countries, and he also said that while Portugal welcomed foreign collaboration, it would not renounce its "concept of humanity", as Portugal did not recognize colour barriers and under the Portuguese flag all were equal in the light of the law.

165. In an article in the South African Financial Gazette it was noted that South Africa will play an important part in the Cabora Bassa project no matter which of the three consortia wins the contract - as each group includes South African companies - but that South African participation through Zamco would be higher than with any of the other two.

166. The reported composition of the three consortia is shown below.

Consórcio Hidroeléctrico do Zambeze-Zamco

(i) Federal Republic of Germany

Allegemeine Elektricitats Gesellschaft AEG - Telefunken (A.E.G., Berlin, Frankfurt);

Brown, Boveri et Cie A.G. (B.B.C., Mannheim, Switzerland);

Hochtief A.G. (Hochtief, Essen);

Siemens Aktiengesellschaft (Siemens, Berlin and Munich);

J.M. Voith, Gmbh (Voith, Heidenheim).

(ii) France

Société Générale de Constructions Electriques et Mécaniques Alsthom (Alsthom, Paris);

Compagnie de Constructions Internationales (C.C.I., Paris);

Compagnie Générale d'Entreprises Electriques (C.G.E.E., Paris).

(iii) Sweden

Allmänna Svenska Elektriska Aktiebolaget (A.S.E.A., Vasteras).

(iv) South Africa

Anglo-American Corporation of South Africa, Ltd. (Johannesburg);

L.T.A. Limited (Johannesburg);

Shafter Sinkins (Proprietary), Ltd. (Johannesburg).

Cabora Bassa Builders

(i) United States

Morris-Knudsen International Company, Inc. ;

General Electric Company.

(ii) France

Compagnie pour l'Etude et le Développement des Echanges Commerciaux (COMPADEC);

Vevey;

Compagnie Electro-Mécanique;

Compagnie des Forges et Ateliers de la Loire.

(iii) Switzerland

Brown, Boveri et Cie.

(iv) Portugal

Maguè.

(v) South Africa

Roberts Construction Consortium.

Cabora Bassa Construction Consortium

(i) United Kingdom

Associated Electrical Industries International, Ltd.;

Boving and Company, Ltd.;

British Insulated Callenders Construction Company, Ltd.;

Mitchell Construction Kinnear Moodie Group, Ltd.;

The English Electric Company, Ltd.

(ii) South Africa

Concor-Grinaker (Pty), Ltd.

(iii) Portugal

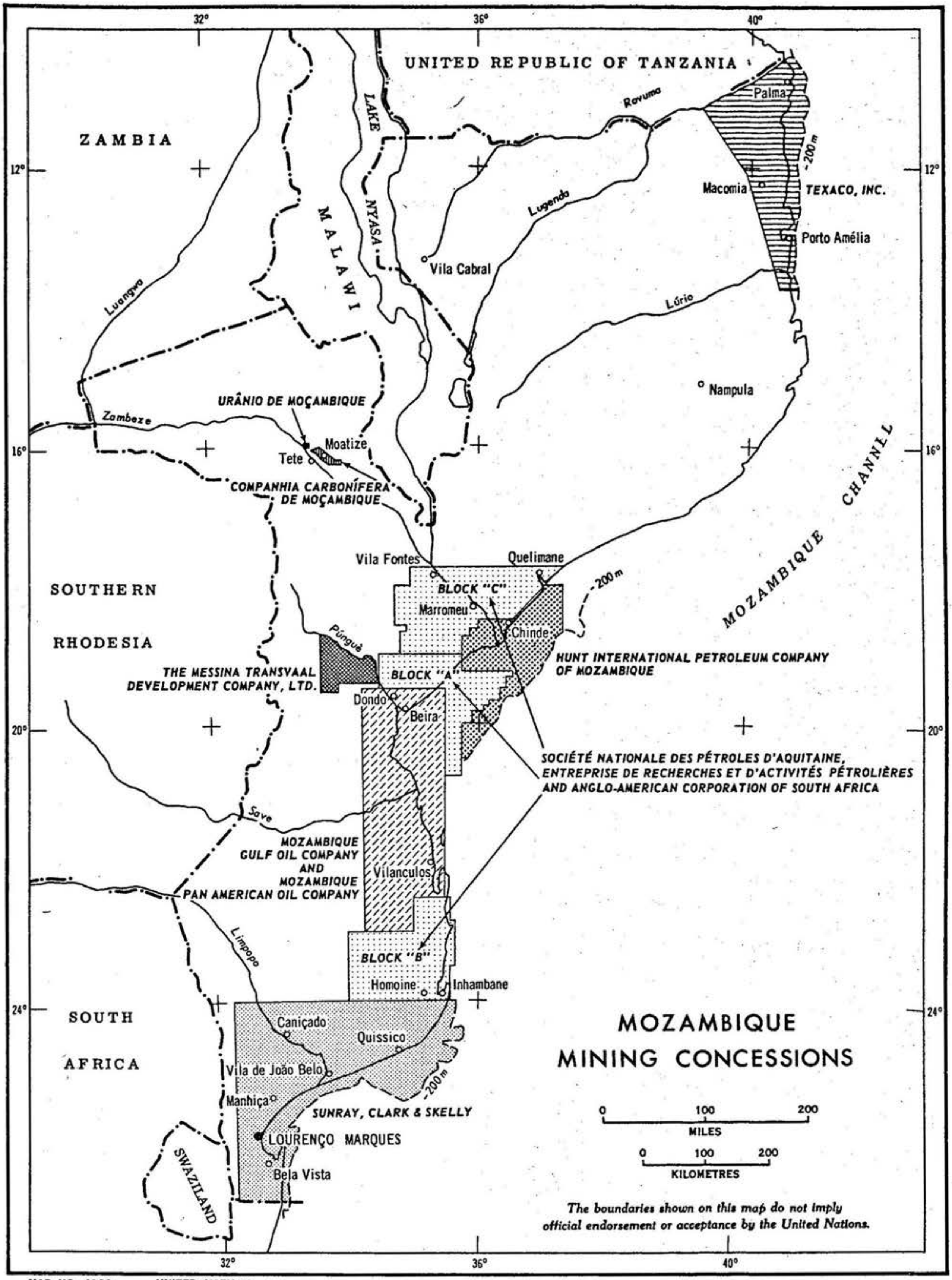
Eteli.

(iv) Italy

Gruppo Industrie Elettro Meccaniche per Impianti all'Estero (GIE);

Impregilo.

Consultants: Sir Alexander Gibb and Partners, and Merz and McLellan.




MAP NO. 1909 UNITED NATIONS
JULY 1969

ANNEX I

Major areas of foreign investment or financial aid in Angola and Mozambique a/

| Area of activity | ANGOLA Name of company | ANGOLA Nationality of participating capital | MOZAMBIQUE Name of company | MOZAMBIQUE Nationality of participating capital |
|---|---|---|---|---|
| 1. Agricultural investments | | | | |
| A. Land preparation and irrigation | | | | |
| Cabora Bassa | | | Consórcio Hidroeléctrico do Zambeze-Zamco: b/ Participants as follows: | |
| | | | Allmänna Svenska Elektriska Aktiebolaget (ASEA) | Sweden |
| | | | Anglo-American Corporation of South Africa | South Africa |
| | | | Brown, Boveri and Co., A.G. | Switzerland |
| | | | Compagnie Générale d'électricité (C.G.E.) | France |
| | | | Compagnie Générale d'entreprises électriques | France |
| | | | Hochtief, A.G. | Germany (Fed. Rep. of) |



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ANNEX I (continued)

| Area of activity | ANGOLA: Name of company | ANGOLA: Nationality of participating capital | MOZAMBIQUE: Name of company | MOZAMBIQUE: Nationality of participating capital |
|---|---|---|---|---|
| A. Land preparation and irrigation (continued) | | | | |
| Cabora Bassa | | | J.M. Voith, G.M.B.H. | Germany, (Fed. Rep. of) |
| | | | Neyrpic, S.A. | France |
| | | | Société Générale de constructions électriques et mécaniques (ALSTHOM) | France |
| | | | U.P.C., Limited | South Africa |
| B. Production and processing of agricultural products c/ | | | | |
| Cashew | | | Anglo-American Corporation of South Africa in Indústria de Caju Mocitas | South Africa |
| | | | Companhia de Culturas de Angoche, S.A.R.L. | Switzerland |
| | | | Industria Prodotti Alimentare de Bologna in Indústria de Caju Mocitas | Italy |

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ANNEX I (continued)

| Area of activity | ANGOLA Name of company | ANGOLA Nationality of participating capital | MOZAMBIQUE Name of company | MOZAMBIQUE Nationality of participating capital |
|---|---|---|---|---|
| B. Production and processing of agricultural products c/ (continued) | | | | |
| Cashew | | | Sociedade Industrial de Caju e Derivados (CAJUCA) | Italy |
| | | | Tiger Oats and National Milling Company in Industria do Caju Mocitas | South Africa |
| Coffee | Sociedade Agrícola do Cassequel | United Kingdom of Great Britain and Northern Ireland | | |
| Copra | | | Companhia da Zambézia | Thought to represent British/South African/French and German interests |
| | | | Sociedade Agrícola do Madal | Norway |



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| Area of activity | ANGOLA<br>Name of company | ANGOLA<br>Nationality of participating capital | MOZAMBIQUE<br>Name of company | MOZAMBIQUE<br>Nationality of participating capital |
|---|---|---|---|---|
| B. <u>Production and processing of agricultural products c/</u> (continued) | | | | |
| Cotton | Companhia Geral dos Algodões de Angola (COTONANG) | Belgium | | |
| | Interamerican Capital Corporation of New York through a loan to Sociedade Angolana de Tecidos Estampados, S.A.R.L. - SATEC | United States of America | | |
| Sisal | Sociedade Agrícola do Cassequel | United Kingdom | Companhia de Culturas de Angoche, S.A.R.L. | Switzerland |
| Sugar | Sociedade Agrícola do Cassequel | United Kingdom | Centre d'Etudes, recherches et investigations sucrières (CERIS) in Açucareira de Moçambique | France |
| | | | Anglo-American Corporation of South Africa in Portuguese Development Company | South Africa |

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ANNEX I (continued).

| | ANGOLA | | MOZAMBIQUE | |
|---|---|---|---|---|
| Area of activity | Name of company | Nationality of participating capital | Name of company | Nationality of participating capital |
| B. Production and processing of agricultural products c/ (continued) | | | | |
| Sugar | | | Compagnie pour l'étude et le développement des échanges commerciaux (COMPADEC) in Açucareira de Moçambique | France |
| | | | Industrial Development Corporation of South Africa through a loan to Marracuene Agrícola Açucareira (MARAGRA) | South Africa |
| | | | Portuguese Development Corp. | South Africa |
| | | | Sena Sugar Estates | United Kingdom |
| | | | Spence and Pierce Sugar, Ltd. | United Kingdom |
| Tobacco | Universal Leaf Tobacco Company in Sociedade Exportadora de Tabacos de Angola, Lda. | United States | | |



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| | ANGOLA | | MOZAMBIQUE | |
|---|---|---|---|---|
| Area of activity | Name of company | Nationality of participating capital | Name of company | Nationality of participating capital |
| B. Production and processing of agricultural products c/ (continued) | | | | |
| 2. Fishing | South African Angolan Investments, Ltd. in União Angolana de Pesca e Indústria | South Africa | Anglo-American Corporation of South Africa in Indústria de Peixes Nossa Senhora de Fátima (INOS) | South Africa |
| 3. Mining | | | | |
| Bauxite | | | Wankie Colliery Co. | Southern Rhodesia |
| Coal | | | Société de recherche minière du Sud-Katanga in Companhia Carbonífera de Moçambique | Belgium |
| | | | Société minière et géologique du Zambèze - ibid. | Belgium |
| | | | Gelsenkirchener Bergwerk A.G. (Gelsenberg) | Germany, Federal Republic of |
| Copper | Sociedade de Explorações Mineiras Africanas | South Africa | Edmundian Investments, Ltd. | South Africa |



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ANNEX I (continued)

| Area of activity | ANGOLA Name of company | ANGOLA Nationality of participating capital | MOZAMBIQUE Name of company | MOZAMBIQUE Nationality of participating capital |
|---|---|---|---|---|
| 3. Mining (continued) | | | | |
| Diamonds | Anchor Diamonds Corporation of South Africa | South Africa | | |
| | Angola Exploration Company (Pty) Ltd. | South Africa | | |
| | Companhia dos Diamantes de Angola (DIAMANG) | South Africa/ Belgium | | |
| | Companhia de Minérios do Ultramar | United States/ South Africa | | |
| | Diamond Distributors, Inc. in Companhia de Diamantes Oeste de Angola - OESTIDIAM | United States | | |
| Ilmenite | | | Minerais Básicos de Moçambique | South Africa and United Kingdom |
| Iron | Bankers Trust Company through loan to Companhia Mineira do Lobito | United Kingdom | | |



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| | ANGOLA | | MOZAMBIQUE | |
|---|---|---|---|---|
| Area of activity | Name of company | Nationality of participating capital | Name of company | Nationality of participating capital |
| 3. Mining (continued) | | | | |
| Iron | Deutsche Union Bank - *ibid.* | Germany, Federal Republic of | | |
| | Export and Import Bank - *ibid.* | United States | | |
| | Fried Krupp - *ibid.* | Germany, Federal Republic of | | |
| | General Electric Company - *ibid.* | United States | | |
| | Hambuiggisehe Landesbank - *ibid.* | Germany, Federal Republic of | | |
| | Jojgaard and Schulz A/S - *ibid.* | Denmark | | |
| | Lavoro Bank A.G. - *ibid.* | Switzerland | | |
| Petroleum | Cabinda Gulf Oil Company | United States | Anglo-American Corporation of South Africa | South Africa |
| | Compagnie financière Belge des pétroles (PETROFINA) PETRANGOL | Belgium | Clark Oil and Refining Corp. | United States |

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ANNEX I (continued)

| Area of activity | ANGOLA Name of company | ANGOLA Nationality of participating capital | MOZAMBIQUE Name of company | MOZAMBIQUE Nationality of participating capital |
|---|---|---|---|---|
| 3. Mining (continued) | | | | |
| Petroleum | Compagnie Française des pétroles in ANGOL | France | Entreprise de recherches et d'activités pétrolières | France |
| | Federale Mynbou Beperk in PETRANGOL-ANGOL | South Africa | Gelsenkirchener Bergwerk A/G | Germany, Federal Republic of |
| | General Mining and Finance Corp., Ltd. in PETRANGOL-ANGOL | South Africa | Hunt International Company of Mozambique | United States |
| | Investment Corporation of South Africa (BONUSCOR) in PETRANGOL-ANGOL | South Africa | Mozambique Gulf Oil Company | United States |
| | Texaco Petróleos de Angola | United States | Pan American International Oil | United States |
| | | | Société nationale des pétroles d'Aquitaine | France |
| | | | Skelly Oil Company | United States |
| | | | Sunray Oil Corporation | United States |
| Sulphur | Tenneco Angola, Inc. | United States | Texaco, Inc. | United States |

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ANNEX I (continued)

| Area of activity | ANGOLA: Name of company | ANGOLA: Nationality of participating capital | MOZAMBIQUE: Name of company | MOZAMBIQUE: Nationality of participating capital |
|---|---|---|---|---|
| 3. Mining (continued) | | | | |
| All minerals, except diamonds, solid fuels, coal, and radioactive materials | | | Messina Transvaal Development Company, Ltd. | South Africa |
| 4. Transport and communications | General Electric Company through loan to the Angolan Government | United States | Lonrho in Companhia do Pipeline Moçambique-Rhodesia | United Kingdom/ Southern Rhodesia |
| | Tanganyika Concessions, Ltd. in Benguela Railway Co. | United Kingdom | Standard Electric, S.A.R.L. through contract with Portuguese companies | United States |
| 5. Others[d] | African Oxygen and British Oxygen Company, Ltd. in Angola African Oxygen, S.A.R.L. | South Africa/ United States | Amalgamated Hotels (tourism) | South Africa |
| | Amalgamated Packaging Industries, Ltd. (API) | South Africa | Holiday Inns, Inc. (tourism) | United States |
| | Arbor Acres in AVICUCA, poultry industry | Southern Rhodesia | | |

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ANNEX I (continued)

| | ANGOLA | | MOZAMBIQUE | |
|---|---|---|---|---|
| Area of activity | Name of company | Nationality of participating capital | Name of company | Nationality of participating capital |
| 5. Others[d] (continued) | Compagnie chimique et électrométallurgique-PECHINEY in Alumínio Portugués (Angola), S.A.R.L. | France | | |
| | General trade through various loans | Switzerland | | |
| | General Tire and Rubber Company in MABOR, rubber industry | United States | | |
| | Volvo car assembly | Sweden | | |

a/ For details of nature and size of foreign capital see annex II below.

b/ Zamco was awarded the contract in July 1968. Since then negotiations have been reopened. See paras. 161 *et seq* of this appendix.

c/ The ownership of most of the agricultural enterprises is unknown.

d/ Listing incomplete.



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ANNEX II

## Foreign economic interests in Angola and Mozambique by nationality and activity

### A. ANGOLA

| Country and name | Activity | Capital | Observations |
|---|---|---|---|
| Belgium | | | |
| Compagnie Financière Belge des Pétroles (PETROFINA) | Petroleum | $US269 million | Owns one third of PETRANGOL. Investment in the Territory estimated at 500 million esc. a/ (see A/6000/Rev.1, chap. V, appendix, annex I, paras. 169-187) |
| Companhia Geral dos Algodões de Angola, S.A.R.L. (COTONANG) | Cotton | 40 million esc. b/ | Registered as a Portuguese company (see A/6300/Rev.1, chap. V, annex, appendix II, paras. 125-130) |
| Denmark | | | |
| Jojgaard and Schulz A/S | Iron | | 32 million esc. loan to Cassinga. Also participant in consortium comprising Fried Krupp and Sociedade de Empreitadas e Trabalhos Hidráulicos, Lda., which provided 1,300 million esc. to the Cassinga project |

Note: This table supplements annex I above and lists the major international companies which have economic interests in the Territory and companies registered under Portuguese law in which there is foreign capital participation. The companies included are limited to those on which available information has been reported in the working papers prepared for the Special Committee. For the international companies, the invested capital of the parent company is given to show the size; in the case of the companies registered under Portuguese law, the real ownership cannot be ascertained as the actual distribution of shares is not known.

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ANNEX II A. (continued)

| Country and name | Activity | Capital | Observations |
| --- | --- | --- | --- |
| France | | | |
| Compagnie de chimique et électro-métallurgique-PECHINEY | Aluminium | $US343 million | Owns Alumínio Português (Angola), S.A.R.L. |
| Compagnie Française des pétroles | Petroleum | $US468 million | Part owner of ANGOL |
| Germany, Federal Republic of | | | |
| Deutsche Union Bank | Iron | | Heads German banking consortium which provided part of a 420 million esc. loan for the Cassinga project |
| Fried Krupp | Iron | $US150 million | 1,500 million esc. loan to Cassinga. Also participant in consortium comprising Jojgaard and Schulz A/S and Sociedade de Empreitadas e Trabalhos Hidráulicos, Lda., which provided 1,300 million esc. to the Cassinga project |
| Hamburggische Landesbank | Iron | | Heads German banking consortium which provided part of a 420 million esc. loan for the Cassinga project |
| Italy | | | |
| Monte dei Paschi | Iron | | Participant in consortium comprising Bankers Trust Company of London and Lavoro Bank A.G. of Switzerland which provided 140 million esc. to the Cassinga project |



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ANNEX II A. (continued)

| Country and name | Activity | Capital | Observations |
|---|---|---|---|
| **Switzerland** | | | |
| General Trade Company | Various | | $US35 million loan for the implementation of projects under the development plans. Nationality of the company unknown; headquarters at Geneva (see A/6300/Rev.1, chap. V, para. 108) |
| Lavoro Bank A.G. | Iron | | Participant in consortium comprising Bankers Trust Company of London and Monte dei Paschi di Siena of Italy which provided 140 million esc. to the Cassinga project |
| **South Africa** | | | |
| African Oxygen | Oxygen plant | | Shareholder of Angola African Oxygen; also United Kingdom participation |
| Amalgamated Packaging Industries, Ltd. | Packaging industry | R2.8 million | In association with Companhia União de Cervejas de Angola (CUCA), owns a cardboard packaging plant in the Territory |
| Anchor Diamonds Corporation, Ltd. | Diamonds | R1.5 million | |
| Anglo-American Corporation of South Africa | Various | R20 million | In addition to other interests, participates in Sociedade de Explorações Mineiras Africanas |
| Angola Exploration Company (Pty), Ltd. | Diamonds | | |



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| Country and name | Activity | Capital | Observations |
|---|---|---|---|
| South Africa (continued) | | | |
| Bonus Investment Corporation of South Africa, Ltd. (BONUSCOR) | Petroleum | R20 million | Participates in South African consortium holding an interest in the PETRANGOL-ANGOL concession |
| Companhia de Minérios do Ultramar | Diamonds | 150 million esc. [b/] | Represents Portuguese, South African and United States interests |
| Companhia dos Diamantes de Angola - (DIAMANG) | Diamonds | 294 million esc. [b/] | Belgian and Portuguese participation (see A/6000/Rev.1, chap. V, appendix, annex I, paras. 86-161) |
| Federale Mynbou Beperk | Petroleum | R7.7 million | Participates in South African consortium holding an interest in PETRANGOL-ANGOL concession |
| General Mining and Finance Corporation, Ltd. | Petroleum | R11 million | Participates in South African consortium holding an interest in PETRANGOL-ANGOL concession |
| South African Angolan Investments, Ltd. | Fisheries | | Holds principal capital in União Angolana de Pesca e Indústria; subsidiary of Anglo-American |
| Southern Rhodesia | | | |
| Arbor-Acres | Poultry industry | | Shareholder of Avícola Arbor Acres (AVICUCA) |
| Sweden | | | |
| Volvo | Automobile industry | $US119.1 million | Owns an assembly plant |
| United Kingdom of Great Britain and Northern Ireland | | | |
| Bankers Trust Company | Iron | | Participant in consortium comprising Monte dei Paschi of Italy and Lavoro Bank of Switzerland which provided 140 million esc. to the Cassinga project |

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ANNEX II A. (continued)

| Country and name | Activity | Capital | Observations |
|---|---|---|---|
| United Kingdom of Great Britain and Northern Ireland (continued) | | | |
| British Oxygen Company, Ltd. | Oxygen plant | $US191 million | Shareholder of Angola African Oxygen; also South African participation. |
| Sociedade Agrícola do Cassequel | Sugar, sisal and coffee | 175 million esc.[b] | Portuguese participation (see A/6300/Rev.1, chap. V, annex, appendix II, paras. 100-102) |
| Tanganika Concessions, Ltd. | Railway | £10 million | Owns 20 per cent of Benguela Railway (see A/6300/Rev.1, chap. V, annex, appendix IV, paras. 26-35) |
| United States of America | | | |
| Diamond Distributors, Inc. | Diamonds | | Participant in Companhia de Diamantes Oeste de Angola, S.A.R.L. (OESTIDIAM) |
| Export and Import Bank | Iron | | $US7.9 million loan to Cassinga project |
| General Electric Company | Iron | $US2,342 million | 40.4 million esc. loan to Cassinga and $US34.5 million loan to Angolan Government for purchase of Diesel locomotives |
| General Tire and Rubber Company | Rubber industry | $US354 million | Part owner of MABOR |
| Gulf Oil | Petroleum and phosphate | $US4,412 million | Owns Cabinda Gulf Oil which has a registered capital of 42.9 million esc. As of 1967 total investment in the Territory was 1,000 million esc. (see A/6000/Rev.1, chap. V, appendix, annex I, paras. 188-193) |



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ANNEX II A. (continued)

| Country and name | Activity | Capital | Observations |
|---|---|---|---|
| Unites States (continued) | | | |
| Interamerican Capital Corporation of New York | Textiles | | 70 million esc. loan to Sociedade Angolana de Tecidos Estampados (SATEC) |
| Tenneco | Sulphur | $US1,251 million | Owns Tenneco Angola, Inc. |
| Texaco | Petroleum | $US4,947 million | Owns Texaco Petróleos de Angola |
| Universal Leaf Tobacco Company | Tobacco | | Part owner of Sociedade Exportadora de Tabacos de Angola, Lda. |



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ANNEX II

B. MOZAMBIQUE

| Country and name | Activity | Capital | Observations |
|---|---|---|---|
| Belgium | | | |
| Société de recherche minière du Sud-Katanga | Coal | | Shareholder in Companhia Carbonífera de Moçambique, which in 1964 had a registered capital of 40 million esc. Investments in Territory estimated at 106 million esc. (for detailed information, see A/6000/Rev.1, chap. V, annex I, paras. 261-265) |
| Société minière et géologique du Zambèze | Coal | | Shareholder in Companhia Carbonífera de Moçambique (see above) |
| Germany, Federal Republic of | | | |
| Companhia do Boror, S.A.R.L. | Copra, sisal | | Present ownership and capital unknown. Until the end of Second World War ownership was primarily German (see A/6300/Rev.1, chap. V, appendix III, para. 141) |
| Gelsenkirchener Bergwerk A/G | Petroleum prospecting | \$US204 million | Associated with Société nationale des pétroles d'Aquitaine and Anglo-American Corporation of South Africa. Minimum expenditure in prospecting 1968-1970: 140 million esc. (see A/7320/Add.1, appendix III, para. 135) |
| Hochtief A/G | Electric power | | Member of Zambeze-Zamco consortium which was awarded Cabora Bassa dam construction contract in 1968, but under renegotiation in 1969 |
| J.M. Voith, G.M.B.H. | Electric power | | *Ibid.* |
| Siemens A/G | Electric power | \$US479 million | *Ibid.* |

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| Country and name | Activity | Capital | Observations |
|---|---|---|---|
| France | | | |
| Centre d'études, recherches et investigations sucrières (CERIS) | Sugar | | Owns jointly with COMPADEC 50 per cent of Acucareira de Moçambique |
| Compagnie générale d'électricité (C.G.E.) | Electric power | $US177 million | Member of Zamco consortium (Cabora Bassa) |
| Compagnie générale d'entreprises électriques | Electric power | | Ibid. |
| Compagnie pour l'étude et le développement des échanges commerciaux (COMPADEC) | Sugar | | Owns jointly with CERIS 50 per cent of Acucareira de Moçambique (see A/6300/Rev.1, chap. V, appendix III, para. 84) |
| Neyrpic, S.A. | Electric power | | Member of Zamco consortium (Cabora Bassa) |
| Société générale de constructions électriques et mécaniques (ALSTHOM) | Electric power | $US55 million | Ibid. |
| Société nationale des pétroles d'Aquitaine | Petroleum prospecting | | Associated with Anglo-American Corporation of South Africa and Gelsenkirchener Bergwerk A/G (Gelsenberg) (see above) |
| Italy | | | |
| Industria Prodotti Alimentare da Bologna | Cashew | | Shareholder in Industria de Caju Mocitas, with 4 million esc. (see A/7320/Add.1, appendix III, para. 181) |
| Sociedade Industrial de Caju (CAJUCA) | Cashew | 10 million esc. (1966) b/<br>30 million esc. (1969) b/ | Represents Portuguese/Italian interests. Investments in the Territory reported as 45 million esc. (see A/7320/Add.1, appendix III, para. 182) |



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| Country and name | Activity | Capital | Observations |
|---|---|---|---|
| **Norway** | | | |
| Sociedade Agrícola do Madal | Copra | 85 million esc.[b/] 100 million esc. (1969) [b/] | (see A/6300/Rev.1, chap. V, appendix III, paras. 145-146) |
| **South Africa** | | | |
| Amalgamated Hotels | Tourism | R1.2 million[c/] | Associated with Holiday Inns of United States to construct motels in Mozambique, South Africa, Southern Rhodesia and Lesotho |
| Anglo-American Corporation of South Africa | Petroleum, electric power, fisheries, sugar | R20 million | Associated with Société des pétroles d'Aquitaine and Gelsenberg (see above). Member of Zamco consortium (Cabora Bassa). Holds controlling interests in Indústria de Caju Mocitas, with 11 million esc. In 1964 Caju Mocitas had a capital of 20 million esc., with estimated investments amounting to 170 million esc. (see A/6300/Rev.1, chap. V, appendix III, para. 130). Parent company of Mozambique Development Corporation which owns Indústria de Peixes Nossa Senhora de Fátima (INOS). In 1964 INOS had a capital of 3.4 million esc. with estimated investments amounting to R2 million (see ibid., appendix V, para. 36). Parent company of Portuguese Development Company (see ibid., appendix III, para. 89) |
| Edmundian Investments, Ltd. | Copper | | (See A/6868/Add.1, appendix III, para. 111) |



/...

| Country and name | Activity | Capital | Observations |
|---|---|---|---|
| Industrial Development Corporation of South Africa | Sugar | R175 million | 220 million esc. loan, in participation with Banco de Fomento Nacional, to Marracuene Agrícola Açucareira (MARAGRA), a Portuguese-owned company with a registered capital of 130 million esc. and estimated investments expected to amount to 430 million esc. (see A/6300/Rev.1, chap. V, appendix III, para. 86) |
| Messina Transvaal Development Company | Mining | R5 million (1964) | Minimum expenditure in prospecting 1966-1970: 3 million esc. Parent company has interests in Southern Rhodesia |
| Minerais Básicos de Moçambique | Ilmenite | | Represents Portuguese/United Kingdom/South African interests (see A/6000/Rev.1, chap. V, annex I, para. 257) |
| Tiger Oats and National Milling Company | Cashew | R8.7 million | Shareholder in Indústria de Caju Mocitas with 5 million esc. (see A/7320/Add.1, appendix III, para. 181) |
| U.P.C., Limited | Electric power | | Member of Zamco consortium (Cabora Bassa) |
| Southern Rhodesia | | | |
| Wankie Colliery Co., Ltd. | Bauxite | £6 million | South African participation (see A/6000/Rev.1, chap. II, annex II, para. 274) |
| Sweden | | | |
| Allmänna Svenska Elektriska Aktiebolaget (A.S.E.A.) | Electrical equipment | $US167 million | Member of Zamco consortium (Cabora Bassa) |



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| Country and name | Activity | Capital | Observations |
|---|---|---|---|
| **Switzerland** | | | |
| Brown, Boveri and Company | Machinery, electrical equipment | $US84 million | Member of Zamco consortium (Cabora Bassa) |
| Companhia de Culturas de Angoche, S.A.R.L. | Cashew, sisal | 50 million esc.[a/] (1962) | Estimated investments: 266.5 million esc. (1966) (see A/6300/Rev.1, chap. V, appendix III, paras. 116 and 180-182) |
| **United Kingdom** | | | |
| Companhia da Zambézia | Copra | 60 million esc.[a/] | Portuguese Government largest single stockholder. Thought to represent British/South African/French and German interests (see A/6300/Rev.1, chap. V, appendix III, para. 147) |
| Lonrho, Ltd. | Various | £14,000 (1968)[d/] | Owns 62.5 per cent of shares in Companhia do Pipeline Moçambique/Rhodesia (see A/7320/Add.1, appendix I, annex, para. 9) |
| Minerais Básicos de Moçambique | Ilmenite | | With Portuguese/South African participation (see A/6000/Rev.1, chap. V, annex I, para. 257) |
| Sena Sugar Estates | Sugar | £3.5 million (1964) | Predominantly British-owned. Estimated investments: £5.3 million (see A/6300/Rev.1, chap. V, appendix III, paras. 56-63) |
| Spence and Pierce, Lda. | Sugar | 3.5 million esc.[a/] (1966) | Largely owned by the British firm Pierce Leslie and Co., Ltd. Estimated investments: 48 million esc. (see A/6300/Rev.1, chap. V, appendix III, para. 117) |



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ANNEX II B. (continued)

| Country and name | Activity | Capital | Observations |
|---|---|---|---|
| **United States of America** | | | |
| Clark Oil and Refining Corporation | Petroleum prospecting | $US49 million (1967) | Associated with SUNRAY, SKELLY. Minimum expenditure in prospecting 1968-1970: 102 million esc. (see A/7320/Add.1, appendix III, para. 122) |
| Holiday Inns, Inc. | Tourism | | Associated with Amalgated Hotels of South Africa to construct motels in Mozambique, Southern Rhodesia, South Africa and Lesotho |
| Hunt International Company of Mozambique | Petroleum prospecting | | Minimum expenditure in prospecting 1968-1970: 70 million esc. (see A/7320/Add.1, appendix III, para. 143) |
| Mozambique Gulf Oil Company | Petroleum prospecting | | In 1963 investments amounted to 540 million esc. (see A/6000/Rev.1, chap. V, annex I, paras. 277-283) |
| Pan American International Company | *Ibid.* | | *Ibid.* |
| Skelly Oil Company | *Ibid.* | $US100,000 | Associated with CLARK, SUNRAY (see above) |
| Sunray Oil Company | *Ibid.* | $US516 million | Associated with CLARK, SKELLY (see above) |
| Standard Electric, S.A.R.L. | Transport and communications | | 156 million esc.; contract with Portuguese companies for supply of underground cables and expansion of telephone exchanges of Lourenço Marques and Beira |
| Texaco, Inc. | Petroleum prospecting | $US4,947 million | Minimum expenditure in prospecting 1968-1970: 53 million esc. (see A/7320/Add.1, appendix III, para. 146) |

a/ One escudo equals $US0.035; $US1.00 equals 28.5 escudos.

b/ Registered capital.

c/ One rand equals $US1.40.

d/ Net equity assets.

## APPENDIX III

## SOUTHERN RHODESIA

CONTENTS

INTRODUCTION

1. Available information on the economy of the Territory is contained in previous working papers, a/ and three special studies b/ prepared by the Secretariat for Sub-Committee I. Reports of the Secretary-General (S/7781 and Add.1-5) in pursuance of Security Council resolution 232 (1966) on the question of Southern Rhodesia also provide additional information on the foreign trade of Southern Rhodesia from 1965 to the year ending December 1967.

2. By its resolution 253 (1968), the Security Council, acting under Chapter VII of the United Nations Charter, imposed extended economic and financial sanctions against the illegal régime, and requested the Secretary-General to report to the Council on the progress of the implementation of the resolution. To date the Secretary-General has submitted to the Security Council ten reports (S/8786 and Add.1-10), on the progress of the implementation of the resolution. In addition, the Committee of the Security Council, established in pursuance of operative paragraph 20 of the same resolution, has submitted two reports (S/8954 and S/9252 and Add.1) which contain, among other things, further information on the trade of Southern Rhodesia and on the effects of sanctions on the Rhodesian economy.

3. Apart from what is contained in the above reports, the normal flow of information on the Territory's economy has been to a large extent curtailed since the illegal declaration of independence by official censorship of economic news and statistics, c/ coupled with increased governmental control and regulation of economic activity. It is therefore not possible to give a detailed account of economic developments for the period under review. Economic developments covered in this paper are based partly on official pronouncements in Southern Rhodesia, and statements by leaders of the business community, which give an indication of general trends.

## A. OUTLINE OF RECENT ECONOMIC DEVELOPMENTS

4. In April 1969, the Smith régime published an Economic Survey of Rhodesia for 1968 in which it provided selected statistics on the state of the economy. d/ According to the survey, activity in the economy was maintained at a satisfactory level despite the difficult problems created by both sanctions and the weather.

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a/ The latest is contained in document A/7623/Add.1, chapter VI, annex I.

b/ Official Records of the General Assembly, Twenty-first Session, Annexes, addendum to agenda item 23 (A/6300/Rev.1), chap. III, part III; ibid., Twenty-second Session, Annexes, addendum to agenda item 24 (A/6868/Add.1), appendix I, and A/7320/Add.1, appendix I.

c/ Emergency censorship of the Press which was lifted on 8 April 1968 applied only to political news.

d/ Tables contained in the Economic Survey for 1968 and figures for past years have been revised where necessary. In certain instances, the figures for 1968 are preliminary estimates.

According to preliminary estimates, the gross domestic product increased from £R369.6 million in 1967 to a record level of £R389.9 million in 1968, an increase of 5.5 per cent at current prices. Details of the industrial origin of the gross domestic product in 1968 with comparative figures from 1965 to 1967 are given in the following table.

Table 1

Industrial origin of the gross domestic product

| | 1965 | 1966 | 1967 | 1968 |
|---|---|---|---|---|
| | (million Southern Rhodesian pounds) | | | |
| Agriculture: | | | | |
| European | 45.7 | 44.5 | 44.0 | 34.7 |
| African | 20.3 | 22.6 | 26.8 | 24.7 |
| Total agriculture | 66.0 | 67.0 | 70.8 | 59.4 |
| Mining and quarrying | 24.1 | 22.1 | 22.7 | 22.2 |
| Manufacturing | 66.6 | 60.8 | 69.5 | 79.0 |
| Building and construction | 15.9 | 15.8 | 18.8 | 23.1 |
| Electricity and water | 14.6 | 15.7 | 16.4 | 17.4 |
| Distribution | 49.6 | 42.9 | 47.9 | 52.2 |
| Banking, insurance and finance | 5.5 | 6.1 | 7.3 | 7.9 |
| Real estate | 5.7 | 6.5 | 7.1 | 7.9 |
| Ownership of dwellings | 10.1 | 10.2 | 11.2 | 12.5 |
| Transport and communications | 30.9 | 28.2 | 27.3 | 32.4 |
| Public administration and defence | 16.4 | 18.5 | 19.3 | 21.0 |
| Education | 11.6 | 12.4 | 12.7 | 13.5 |
| Health | 4.1 | 4.6 | 4.8 | 5.4 |
| Domestic services | 10.1 | 10.2 | 10.7 | 11.4 |
| African rural household services | 4.3 | 4.6 | 5.0 | 5.2 |
| Other services | 16.6 | 16.8 | 18.1 | 19.6 |
| Gross domestic product | 352.1 | 342.7 | 369.6 | 389.9 |

5. Increased activity in the manufacturing and building and construction industries was largely responsible for the rise in the gross domestic product. The contribution of these two sectors increased during the year by £R13.8 million and more than compensated for the large fall of £R11.4 million in the contribution of agriculture. The contribution of agriculture in 1968 was £R59.4 million, which was the lowest figure achieved since 1960. The decline was mainly due to the adverse season, but it was also partly due to the lower level of tobacco production which was reduced in a quota system. The contribution of the mining sector to the gross domestic product declined slightly by 2 per cent. Increases were registered in the contribution of all other sectors.

6. The gross national product increased from £R387.4 million in 1967 to £R408 million in 1968. Table 2 below gives details of the national income from 1965 to 1968.

Table 2

National income

(million Southern Rhodesian pounds)

| | 1965 | 1966 | 1967 | 1968 (preliminary) |
|---|---|---|---|---|
| Wages and salaries: | 195.2 | 200.2 | 207.1 | 223.5 |
| European, Asians and Coloureds | 115.1 | 119.1 | 123.8 | 133.9 |
| Africans | 80.1 | 81.1 | 83.4 | 89.6 |
| Gross income from unincorporated enterprise: | 54.2 | 55.6 | 63.7 | 55.0 |
| European, Asian and Coloureds | 25.7 | 24.7 | 28.0 | 20.9 |
| African rural households: | | | | |
| for own consumption | 20.9 | 23.1 | 27.4 | 27.0 |
| sales | 3.7 | 4.2 | 4.4 | 2.9 |
| African, other | 3.9 | 3.6 | 3.9 | 4.2 |
| Gross operating profits: | 88.4 | 72.4 | 82.8 | 94.0 |
| Government enterprise | 8.0 | 9.0 | 9.3 | 9.4 |
| Public corporations | 14.4 | 9.0 | 5.1 | 10.7 |
| Companies | 66.0 | 54.3 | 68.4 | 73.9 |
| Income from property: | 14.4 | 14.5 | 16.0 | 17.4 |
| Government | 4.3 | 4.3 | 4.8 | 4.9 |
| Personal | 10.1 | 10.2 | 11.2 | 12.5 |
| Gross domestic product (factor cost) | 352.1 | 342.7 | 369.6 | 389.9 |
| Less: net income paid abroad | 14.8 | 8.4 | 7.7 | 12.1 |
| Gross national product (factor cost) | 337.3 | 334.3 | 361.9 | 377.9 |
| Plus: net indirect taxes | 26.6 | 23.4 | 25.5 | 30.2 |
| Gross national product (market prices) | 363.8 | 357.7 | 387.4 | 408.0 |

7. The national income table shows the gross operating profits of foreign economic and white settler interests: in 1968, the gross operating profits of companies, which are all virtually controlled by white settlers and foreign economic interests, amounted to £R73.9 million, compared with £R68.4 million in 1967; additionally, gross income from unincorporated enterprises, also all virtually controlled by the same interests, amounted to £R20.9 million in 1968, compared with £R28.0 million in 1967.

8. Comparative figures of the gross income of African rural households is also available from the national income table. The term "African rural households" is used to apply to all Africans engaged in subsistance farming and other traditional projects as against Africans employed on wages and salaries. About 60 per cent of

the African population lives in rural households. Total gross income from African rural households in 1968 amounted to £R34.1 million as compared with £R35.7 million in 1967. However, £R27.0 million of the total production of the African rural households was for own consumption. Actual gross income from sales of produce by African rural households amounted to £R2.9 million in 1968, compared to £R4.4 million in 1966. The remaining £R4.2 million of the gross income of African rural households for 1968 and £R3.9 million for 1967 represent the value of such household services as grinding of grain and storage.

## B. FOREIGN TRADE AND BALANCE OF PAYMENTS

9. According to figures published by the illegal régime, despite the problems presented by sanctions and the weather, the value of domestic exports was sustained at £R87.4 million, compared with the previous year's level of £R88.4 million. Re-exports continued to decline because of the reduction in re-export trade with Zambia, and fell from £R6.0 million in 1967 to £R4.2 million. Gold production was at a slightly lower level than in 1967 and amounted to £R5.8 million.

10. Although total exports declined, imports increased by £R10 million to £R103.5 million to satisfy increased demands for producer goods and investment in plant and equipment. Imports of these commodities increased by nearly 20 per cent. There was only a small increase in imports of consumer goods.

11. The visible trade balance decreased from £R8.5 million in 1967 to a deficit of £R7.7 million in 1968 largely because of the sharp rise in imports. The net deficit for invisible transactions on current account increased moderately and, together with that for visible trade, resulted in a total current account deficit of £R26.8 million. There was a net inflow of capital amounting to £R25.2 million and the deficit on combined current and capital accounts was £R1.6 million compared with a surplus of £R3.3 million in 1967.

12. The table below shows the summary of the balance of payments for 1967 and 1968.

Table 3

Southern Rhodesia balance of payments for 1967 and 1968

| | 1967 | 1968 |
|---|---|---|
| | (million Southern Rhodesian pounds) | |
| Visible trade: | | |
| Domestic exports | 88.4 a/ | 87.4 |
| Re-exports | 6.0 | 4.2 |
| Gold | 6.2 | 5.8 |
| Imports | -93.5 | -103.5 |
| Timing and other adjustments | 1.4 | -1.6 |
| Visible trade balance | 8.5 | -7.7 |
| Invisibles, net | -17.9 | -19.1 |
| Current account balance | -9.4 | -26.8 |
| Capital transactions | 12.7 | 25.2 |
| Total current and capital transactions | 3.3 | -1.6 |

a/ Figures for 1967 have been revised

Table 3 (continued)

| | 1967 | 1968 |
|---|---|---|
| | (million Southern Rhodesian pounds) | |
| Compensatory finance: | | |
| Short-term creditors/debtors | 1.7 | ... |
| Cash balances | -1.0 | ... |
| Banking reserves and errors and omissions | 2.6 | -1.6 |
| Total compensatory finance | 3.3 | -1.6 |

## C. LAND AND AGRICULTURE

13. From 1930, when the Land Apportionment Act was first enacted, the whole of Southern Rhodesia has been divided into a number of different categories of land, the main division being between the African area and the European area. The apportionment in terms of the 1965 "Constitution" as read with the Land Apportionment Act (Chapter 257) is (according to the latest data published on 29 February 1968) as follows:

| | Acres a/ |
|---|---|
| Tribal trust land (previously called native reserves) | 40,127,600 |
| African purchase area | 4,276,700 |
| Unreserved land | 5,961,900 |
| European area | 35,660,900 |
| National land (national parks and game reserves) | 10,497,400 |
| | 96,524,500 |

a/ Report of the Constitutional Commission, 1968, para. 519.

According to the above figures, total acreage of land for the exclusive use of the African population of 4.5 million (1968) amounts to 44.4 million acres, while the total acreage for the use of the European population of 241,000 (1968) amounts to 35.6 million acres. In terms of percentage this means that the African areas comprise 55 per cent of the farming land and the European area comprises 44.5 per cent of the farming land. The value of sales of the principal crops and their relative importance in 1965, the latest year for which such information is available, is shown below:

| | 1965 |
|---|---|
| | (million Southern Rhodesian pounds) |
| Tobacco | 32.7 |
| Sugar | 9.6 |
| Cattle | 9.4 |
| Grain | 7.3 |
| Dairy produce | 2.5 |
| Pigs | 1.3 |

14. The total value of domestic exports in 1965 amounted to £R142,455,433, of which the export of principal crops accounted for nearly half, as follows:

| | (million Southern Rhodesian pounds) |
|---|---|
| Tobacco, unmanufactured | 47.0 |
| Meats, fresh, frozen and chilled | 4.2 |
| Raw sugar | 3.5 |

Two thirds of the present total value of agricultural output is contributed by a mere 6,000-odd European-owned farms, whereas the remaining third is the sum total of the production from close on 7,000 African purchase area farmers, approximately 12,500 African master farmers in the tribal trust lands and an additional 12,000 African plot holders as well as the 111,000 African members of co-operatives in these tribal areas. It is officially estimated that the productivity of the European-owned farms is six times the present average of the African farms.

15. In 1966, the African areas, which comprise 55.5 per cent of the farming land, contributed 27 per cent of the gross agricultural production but only 7 per cent of the marketed production. The European area, which comprises 44.5 per cent of the farming land, contributed 73 per cent of the gross agricultural production and 93 per cent of the marketed agricultural produce.

16. The table below shows the output of European and African agriculture for 1965 to 1967:

Table 4

Agricultural output[a/]

(million Southern Rhodesian pounds)

| Year | European agriculture | | | African agriculture | | |
|---|---|---|---|---|---|---|
| | Gross sales | Farm retentions | Total production | Gross sales | Home consumption | Total production |
| 1965 | 66.4 | 5.3 | 71.7 | 4.5 | 16.3 | 20.8 |
| 1966 | 64.7 | 5.8 | 70.4 | 5.1 | 18.0 | 23.1 |
| 1967 | 65.7 | 6.0 | 71.6 | 5.4 | 22.0 | 27.4 |

a/ Monthly Digest of Statistics, February: 1969 Central Statisticians Office, Salisbury, table 18.

The gross output from the African sector for 1967 amounted to £R27.4 million, but of this amount only £R5.4 million found its way into the country's economy as cash - the remainder being mere subsistence production which was consumed by the African producers and their families. In comparison, gross output from the European sector for the same period amounted to £R71.6 million of which £R6.0 million was retained on the farms, showing gross sales of £R65.7 million.

17. In 1967, the value of agricultural production rose to £R92.5 million, showing an increase of 5.2 per cent above the previous year. As a result of the adverse seasonal factors, the value of agricultural production decreased from the record level of £R92.5 million achieved in 1967 to £R81.5 million in 1968.e/ Of this amount, preliminary figures show that total African production amounted to £R27 million of which £R2.9 million represented gross sales, the remainder being retained for home consumption.

18. The value of maize production was reduced substantially and tobacco production fell short of the target of 132 million pounds. Sugar production was not affected by the drought as the crop is produced under irrigation and its value increased by 4 per cent. The value of livestock slaughtered increased by 8 per cent. One reason for this increase was the drought which badly affected some grazing areas. There was a rise of 16 per cent in the value of dairy produce following a rise of 10 per cent in the previous year.

Tobacco crop

19. In 1965, prior to the illegal declaration of independence, Southern Rhodesia's tobacco growers produced close to 300 million pounds of tobacco for an average price of 33 pence per pound. Foreign earnings from tobacco totalled £R47 million in 1965, by far the largest single item in total exports of £R165 million. With the imposition of sanctions, the 1966/1967 crop was reduced to 200 million pounds with a government-guaranteed minimum price of 24 pence per pound; the 1967/1968 crop was further reduced to 132 million pounds and the average price increased to 28 pence. To assist farmers affected by the crop reduction, the régime bought "quotas" at 6 pence per pound (i.e., growers received a bonus for not growing tobacco). At the same time they were given additional facilities in the shape of loans for irrigation and diversification plans.

20. Information on the tobacco crop for the current season indicates a continuing downward trend since the imposition of sanctions. On 7 March 1968, the régime announced that the maximum production target for the 1968/1969 flue-cured tobacco crop would be maintained at the same level as in 1967/1968, that is, at 132 million pounds, but that the average price paid to the producer would be 22 pence per pound, compared with a price of 28 pence per pound for the preceding year's crop. The Burley tobacco crop target was also maintained at the 1967/1968 level, namely 5 million pounds for the current season, but at an average price of 22 pence per pound, compared with 26 pence per pound for the preceding year's crop; and the target for the Oriental Samsum variety was reduced from 1.5 million pounds to 1 million pounds, but the price was maintained at 26 pence per pound as in 1967/1968. The régime has acknowledged that as a result of sanctions there is a "sizable stockpile" of tobacco in Southern Rhodesia, which has been estimated at between 200 and 250 million pounds. The number of tobacco growers has also decreased from 2,600 in 1965 to 1,700. For the current season, farmers have been invited to sell their quotas to the régime at 4 pence per pound and, as an added incentive, farm diversification loans are to be made available on the same basis as in 1967/1968.

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e/ The economy of Southern Rhodesia was also afflicted during the year by a widespread drought. Rainfall in many parts of the country was less than half that experienced in an average season. The drought was followed later by unusually severe frosts. Both these factors adversely affected the supplies of agricultural produce for export and domestic consumption.

21. At the end of June 1968, the régime stated that the accumulated cost of stocks of 1966 and 1967 crop tobacco held by the tobacco corporation, together with losses on sales already affected, amounted to £R34 million. It estimated that even if sanctions were lifted immediately, the corporation would still be left with a deficit of at least £R12 million.

Other crops

22. Sugar, the next most important crop, which in 1965 accounted for £R4 million in exports, reportedly has also been affected by sanctions to a considerable extent. It was reported that large quantities of the crop had been stockpiled. The régime is providing price support payments as a subsidy to growers to keep the industry going.

23. The régime is making increased efforts to encourage farmers to diversify into other crops in order to alleviate the impact of sanctions on the tobacco and sugar crops. Farmers are being encouraged, by grants, subsidies and loans from the régime, to diversify by growing more cotton, wheat, maize, beef, soya beans and ground-nuts - all of which have a lower acreage return than tobacco. Since the illegal declaration of independence, the régime has also embarked on an extensive irrigation scheme, particularly in the tobacco-growing areas, to make the land amenable to the cultivation of these crops.

## D. MANUFACTURING AND RELATED ENTERPRISES

24. 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. Foreign economic and white settler interests again predominate in the non-agricultural sector of the economy. Three previous studies prepared for Sub-Committee I in 1965, 1967 and 1968, examined the scope and operations of the major companies in manufacturing and related enterprises. These studies also provided information, where available, on the production and operating profits of the companies concerned. Most of the major companies involved are subsidiaries of United Kingdom and South African interests, whose operations, to a large extent, are interlocked. United States and western European interests are also, to a lesser extent, involved in manufacturing and related enterprises in Southern Rhodesia.

25. In 1965, manufacturing contributed as much as agriculture to the gross domestic product, accounting for 19 per cent of the total. Following the imposition of sanctions, Southern Rhodesian manufacturers, encouraged by import control, turned their attention to the home market to provide import substitutes. A particularly notable development in the manufacturing industry has been in the field of agricultural machinery. This includes a comprehensive range of implements specifically designed and developed for farming in Southern Rhodesia, such as ploughs and tillage equipment, planters, maize and ground-nut shellers, seed graders and spraying equipment for herbicides and pesticides. There has also been tremendous progress in the manufacture of food-stuffs, including fruit and vegetable canning and processing, cereals and meats, soups, sweets and beverages, as well as other specialized items. Great strides have been made in the plastics industry meeting the country's demands in many spheres.

26. An analysis of the gross domestic product for 1966 shows that in the fields of mining, construction, secondary industry, distributive trades, banking, insurance, finance, transport, public administration and others, the earnings of about 365,000 Africans (including self-employed) contributed £R66 million or 24 per cent of the gross domestic product of these sectors, whilst the earnings of approximately 90,000 Europeans engaged in these fields contributed £R134.3 million or 49 per cent of the gross domestic product of these sectors. A further £R47.5 million can be added to the European share of marketed contribution since this is the value of the profits of companies which are all virtually controlled or owned by Europeans. This raises the contribution of the Europeans to 67 per cent of the total compared with the African contribution of 24 per cent. The remaining 9 per cent of the gross domestic product cannot easily be apportioned as it related to the activities of public corporations, government and local authority enterprises and the like.

27. According to the economic survey for 1968, the gross operating profits of companies (which are all virtually controlled by white settlers and foreign economic interests) amounted to £R68.4 million in 1967 and £R73.9 million in 1968. In addition to the above, gross income from unincorporated enterprises owned mostly by Europeans (and a few Asians and Coloureds) amounted to £R28 million in 1967 and £R20.9 million in 1968.

28. For the same period, apart from salaries and wages paid to Africans, their participation in the non-agricultural sector of the economy was negligible, as it is almost virtually owned by the Europeans.

29. Compared with 1966, total manufacturing output in 1967 increased in value by 5.5 per cent to £R194 million. At the end of 1967 the three industries which continued to suffer most severely from sanctions were tobacco grading and packing, chemical and petroleum products and transport and workshops. Tobacco grading and packing suffered a drop in output of 21.1 per cent in value and transport and workshops suffered a decrease of 4.8 per cent. Although the value of output of chemical and petroleum products increased by 32 per cent during the year, it remained well below the level achieved in 1965. The above three industries accounted for 21 per cent by value of all manufacturing output in 1965. The output of the remaining 79 per cent of manufacturing industry was on an average 10.6 per cent higher in 1967 than in 1965. Textiles and clothing production increased by 17.1 per cent. Metals and metal products also did well, with an increase of 15.9 per cent. The building and construction industry experienced buoyant conditions throughout 1967, output increasing by 8.7 per cent to £R35.1 million. Building for the private sector, which had started to improve by the end of 1966, increased by 26 per cent to £R9.1 million. Statistics of manufacturing output for 1968 are not yet available, and it is therefore not known to what extent the 1967 trend is being maintained both on a general level, and also on an industry-to-industry basis, although preliminary reports indicated that the general trend was one of continued expansion.

30. In 1968, manufacturing output was 13 per cent higher than that in 1967. Following the reduction of the tobacco crop, the volume of output of the tobacco grading and packing industry fell by nearly 40 per cent. Apart from this industry and the textiles and clothing industry, in which the output fell by less than 1 per cent, all other sectors experienced increased levels of production. The output of the non-metallic mineral products industry rose by as much as 41 per cent in sympathy with the rise in building activity. The chemical and the transport equipment industries registered gains in output of 16 per cent and 14 per cent respectively.

31. Total construction output increased in value by over 30 per cent from £R35.7 million to £R46.8 million.

## E. MINERALS

32. The following table shows the mining output of Southern Rhodesia for 1963-1965 (the last year for which data is available):

Table 5

Mining output, 1963-1965

| | Production | | | Value (Southern Rhodesian pounds) | | |
|---|---|---|---|---|---|---|
| | 1963 | 1964 | 1965 | 1963 | 1964 | 1965 |
| Precious metals (ounces) | | | | | | |
| Gold | 566,277 | 575,386 | 543,681 | 7,101,167 | 7,228,659 | 6,894,521 |
| Silver | 83,742 | 88,463 | 96,563 | 38,283 | 41,108 | 44,721 |
| Base minerals (short tons) | | | | | | |
| Asbestos | 142,255 | 153,451 | 176,151 | 5,996,760 | 6,848,018 | 8,525,431 |
| Copper | 18,489 | 18,341 | 19,819 | 3,233,624 | 4,156,957 | 6,285,665 |
| Coal | 3,020,889 | 3,047,124 | 3,868,385 | 3,077,556 | 3,432,176 | 3,871,723 |
| Chrome ore | 412,394 | 493,371 | 645,501 | 1,984,868 | 2,218,789 | 2,623,816 |
| Iron ore | 722,428 | 908,299 | 1,419,109 | 466,863 | 584,045 | 973,889 |
| Tin | 600 | 613 | 609 | 456,606 | 651,433 | 733,574 |
| Lithium minerals | 49,556 | 67,164 | 59,376 | 327,602 | 463,386 | 400,660 |
| Limestone | 587,726 | 595,525 | 668,004 | 320,569 | 315,402 | 366,765 |
| Nickel concentrates | 594 | 863 | 4,153 | 24,543 | 38,250 | 209,010 |
| Iron pyrites | 72,862 | 90,865 | 85,898 | 127,508 | 159,013 | 152,871 |
| Phosphate | - | 2,200 | 20,968 | - | 11,000 | 150,344 |
| Tantalum minerals | 76 | 71 | 43 | 99,252 | 74,706 | 29,380 |
| Silica sand | 2,927 | 3,602 | 9,927 | 1,098 | 10,688 | 25,966 |
| Antimony | 110 | 80 | 278 | 7,456 | 10,293 | 21,257 |
| Corundum | 5,941 | 2,871 | 4,458 | 48,817 | 24,187 | 39,260 |
| Magnesite | 12,068 | 42,411 | 39,251 | 18,101 | 70,399 | 68,358 |
| Mica (in various forms) | 142 | 115 | 2,118 | 22,863 | 24,413 | 25,932 |
| Quartz | 21,004 | 31,208 | 33,080 | 11,729 | 18,222 | 19,159 |
| Pollucite | - | 26 | 134 | - | 2,277 | 10,108 |
| Tungsten concentrates | 3 | - | 32 | 589 | - | 16,075 |
| Barytes | 1,953 | 1,561 | 1,689 | 7,332 | 7,805 | 8,445 |
| Bauxite | 2,030 | 2,731 | 1,780 | 7,525 | 10,318 | 6,491 |
| Beryl | 249 | 182 | 92 | 20,611 | 13,270 | 6,073 |
| Arsenic | 605 | 206 | 51 | 2,833 | 1,653 | 1,660 |
| Clay | - | - | 29,464 | - | - | 2,946 |

Table 5 (continued)

| | Production | | | Value (Southern Rhodesian pounds) | | |
|---|---|---|---|---|---|---|
| | 1963 | 1964 | 1965 | 1963 | 1964 | 1965 |
| Base minerals (continued) (short tons) | | | | | | |
| Columbite | - | - | 2 | - | - | 350 |
| Feldspar | - | - | 194 | - | - | 1,066 |
| Fireclay | 14,528 | 13,729 | 19,832 | 6,515 | 5,982 | 9,023 |
| Fluorspar | 343 | 77 | 196 | 1,018 | 564 | 1,009 |
| Kaolin | 12,240 | 21,000 | - | 1,224 | 2,100 | - |
| Kyanite | 60 | 258 | 1,196 | 375 | 1,540 | 2,422 |
| Manganese | - | 160 | 460 | - | 278 | 1,430 |
| Quartz | 221 | 240 | 272 | 1,436 | 1,682 | 1,904 |
| Talc | 21 | 16 | 476 | 179 | 141 | 1,236 |
| Tripoli | 301 | 347 | 392 | 301 | 347 | 547 |
| Others, including gemstones | | | | 319,614 | 325,212 | 441,027 |
| TOTAL | | | | 23,734,817 | 26,754,313 | 31,974,114 |

33. In view of the heavy capital expenditure involved in mining, local European participation in this sector of the economy is very modest. Foreign economic interests, represented mainly by United Kingdom, South African and, to a lesser extent, United States interests, predominate in the mining sector of the economy, through the operation of subsidiaries which are to a large extent interlocked in a complicated network. The major companies with diversified economic interests, including mining, in Southern Rhodesia are the Anglo-American Corporation of South Africa, the London-based Charter Consolidated (a sister company of Anglo-American), Lonrho Ltd. (United Kingdom) and Rio Tinto (United Kingdom).

34. Other companies with narrower and more specialized interests in Southern Rhodesia include Turner and Newall, Ltd., which is based in the United Kingdom and accounts for 63 per cent of the total production of asbestos in Southern Rhodesia; Rhodesia Chrome Mines, Ltd., African Chrome Mines, Ltd., and the Union Carbide Rhomet of Que Que, all three mines owned by the Union Carbide Company of the United States and associated with a London holding company, Chrome Company, Ltd., whose interests are British and American; the Rhodesia Vanadium Corporation, a wholly owned subsidiary of the Vanadium Corporation of America, which produces about 30 per cent of the Territory's total chrome ore; M.T.D. (Mangula) Ltd., which produces over 85 per cent of the total copper concentrates of Southern Rhodesia and is a subsidiary of the Messina (Transvaal) Development Company, Ltd. of South Africa; the Kamativi Tin Mines, the main producer of tin in the Territory, whose chairman is from the Netherlands; and the Bikita Minerals, Ltd., virtually the only producer of lithium in Southern Rhodesia. The shareholders of Bikita Minerals, Ltd. include Selection Trust (which controls indirectly 40 per cent of the shares), Treselca, Ltd., American Metal Climax, Inc., and American Potash and Chemical Corporation.

35. Mining output, which had reached a peak of nearly £R28 million in 1961, dropped in the next two years to £R23.5 million in 1963. Since then there has been a steady recovery; 1965 was a boom year with output exceeding £R32 million in value, while the volume index of production reached a peak of 110.7 (compared with 100 in 1964). Since 1965, the régime has not published figures on mining output of individual base minerals. However, since 1965, and despite sanctions, the value of total mining output has broken new records each year, rising by £R600,000 in 1966 and by a further £R1,200,000 in 1967 when it totalled £R33.5 million. A new record was achieved in 1968 when the value of mineral output attained £R33.7 million. Mr. Ian Dillon, "Minister of Mines", has stated that Southern Rhodesia should reach its £R100 million target for mineral output by 1975.

36. Since the illegal declaration of independence, exploration and prospecting activity has been carried out on a much larger scale than previously. In 1968, forty-four new exclusive prospecting orders were awarded, compared with only six in 1967 and twenty-five in 1966. Much of the prospecting is for nickel and copper. The companies involved, which are reported to be spending an estimated £R2 million annually, include the Anglo-American Corporation, Ltd. (South Africa), Roan Selection Trust (United Kingdom), South African Manganese (South Africa), Messina (Transvaal) and Johannesburg Consolidated Investment (South Africa), Rhodesian Chrome (United States), Rio Tinto and Lonrho (United Kingdom), Anglovaal (South Africa) and General Mining (South Africa). The majority of the exploration and prospecting activity is for nickel and copper though considerable interest is being shown in platinum. There is also interest in gold, aluminium, scheelite, and chrome.

37. On 3 February 1968, Mr. Dillon, then "Deputy Minister of Mines", said that Southern Rhodesia's mining industry was on the threshold of one of the most dynamic developments in its history. The development would be mainly in the copper and nickel fields, but he said that a platinum deposit found in the Great Dyke was "quite fantastic". Two big copper deposits had been found. One of these, in the Headlands area, was already being developed and a large investment of capital was envisaged. The other big copper deposit was about ninety miles from Bulawayo. Five international companies, two of them South African (General Mining and S.A. Manganese), had announced their intention to develop and exploit the new deposits. Only one of the companies involved had previously operated in Southern Rhodesia. In addition to the copper, nickel and platinum, Mr. Dillon said that extensive gold reefs and zinc anomalies had been found. It was the policy of the régime to encourage the small workers to move away from gold prospecting and mining into the currently more economic copper field.

38. In May 1968, it was reported that the General Mining Finance Corporation of Johannesburg and the Mining Promotion Corporation, Ltd. (a subsidiary of the Industrial Development Corporation of Southern Rhodesia) were co-operating in a joint exploration of mineral deposits in the Penhalonga Valley. The joint venture called for the opening up of the Penhalonga Valley, which is honeycombed with dozens of small mines, many of them derelict, and the development of these small undertakings as a single, large-scale operation. Eventual development cost of the project has been estimated at £R1 million. According to previous estimates, the area has reserves of gold, lead and silver worth £R20 million.

39. The most spectacular development in base mineral mining since the illegal declaration of independence concerns the exploitation of nickel. About £R15 million, financed from sources within Southern Rhodesia, has been invested in opening up nickel deposits west of Gatooma and in the Bindura/Shamva area. The companies engaged in these developments are the Anglo-American Corporation, which has invested £R10 million in the Madzima Mine at Shamva and the Trojan Nickel Mine and Smelter at Bindura; and Rio Tinto which is investing an estimated £R5 million in the Empress Nickel Mine, west of Gatooma, which is expected to reach full production in 1972. It is estimated that when they are in full production the three mines will contribute more than £R10 million annually to the mineral output of Southern Rhodesia (see A/7320/Add.1, paras. 37 to 40).

## F. LABOUR

### Employment

40. The number of Europeans, Asians and Coloureds in employment in 1968 increased by 4 per cent to 94,500 compared with the decrease of 1.7 per cent in 1967. The only sectors that experienced a decline in employment were transport and communications and agriculture. Employment fell by 110 persons in each of these sectors.

41. African employment decreased from 626,000 in 1965 to 607,000 in 1967, but increased during 1968 by 2.5 per cent to 622,000. In considering the above figures, it should be noted that the annual addition to the number of Africans seeking employment is about 35,000, most of whom are unable to find employment under present circumstances.

42. Agriculture accounts for 39 per cent of the total employment of Africans. Since 1965, African employment in agriculture has been severely affected by reduction in labour.

### Wages

43. Average annual earnings of European, Asian and Coloured employees increased in 1968 by 3.9 per cent, compared with an increase of 2.2 per cent in 1967. Those of Africans increased by 4.3 per cent in 1968 compared with the previous year's increase of 4.5 per cent. After adjustment for the rise in consumer prices, there were real increases in average earnings of 1.7 per cent for Europeans, Asians and Coloureds and 2 per cent for Africans. The average annual earnings of African employees increased from £R138 in 1967 to £R144 in 1968. For the same period, the average annual earnings of European employees increased from £R1,361 to £R1,414.

APPENDIX IV

GILBERT AND ELLICE ISLANDS

CONTENTS

## INTRODUCTION

1. Basic information concerning economic conditions in the Gilbert and Ellice Islands with particular reference to foreign economic interests is set out in the report of Sub-Committee I of the Special Committee contained in document A/7320/Add.1 which will appear in the annexes to the official records of the twenty-third session of the General Assembly. Further information on recent developments is set out below.

### A. LAND AND PEOPLE

2. In December 1967, the population of the Territory was estimated at 55,050. A further estimated total of 1,780 Gilbertese and Ellice Islanders were living at Nauru. A census taken in 1968 showed a population of 53,185, which was about 1,000 less than had been estimated.

3. According to the report of the <u>Socio-Economic Survey</u> (see para. 9 below), which was undertaken in the Territory in 1967, the population has been growing rapidly in recent years, and forecasts in the 1965 census report that it will be more than 50 per cent than in that year by 1978; the male population of working age is increasing by 500 to 600 a year. The summary of conclusions and recommendations contained in the report includes the following: "With population continuing to grow unchecked at the present rate, no measures can make the Gilbert and Ellice Islands self-supporting. There are limited possibilities for resettlement within the islands, and possibilities of emigration and resettlement elsewhere - or of employment overseas - are not encouraging. So far the response to efforts to encourage family planning has been disappointing and a concerted campaign on a broader basis is needed. But even with a sharp reduction in family size the achievement of a stable population would take a long time."

### B. GENERAL ECONOMIC SITUATION

4. Substantial receipts from increased phosphate exports and record copra exports, as well as from development grants, accounted for the Territory's notable financial progress during the period under review. According to the administering Power, the economic outlook of the Territory is profoundly disturbing because the depletion of the phosphate deposits in ten years' time will reduce territorial revenue by more than half and will result in the loss of 600 jobs for the local inhabitants.

5. The British Phosphate Commissioners exported 444,700 tons of phosphate in 1967, compared with 3[illegible]5,000 tons the previous year. The increase in production resulted from the 1966 interim agreement between the three partner Governments that annual output should be increased from 310,000 tons to up to 450,000 tons, and that higher rates of benefits should be paid to the territorial Government and the Banabans as a result of the economies thus achieved in unit costs of production.

6. Copra exports totalled 10,841 tons in 1967, compared with 8,973 tons in 1966. Favourable climatic conditions and the introduction of a bonus scheme to benefit the local government of those islands which exceeded their production target figure, led to a record production of 11,199 tons of copra, the highest since the 1959 production of 9,859 tons.

7. The administering Power reports that possibly the most impressive development during the period under review has been the upsurge of activity on the outer islands. The extent of the activity can be gauged by the fact that 9,493 feet of inter-island causeways were completed. This work which represents the transplanting of about 1.5 million cubic feet of coral rock was carried out by voluntary labour.

8. Approval in principle was given during 1967 for a major Colonial Development and Welfare scheme to expand the information and broadcasting services by the provision of additional staff, new broadcasting studios and a more powerful transmitter on Tarawa. By the end of the year quotations had been received for the new equipment and arrangements were being made to recruit the necessary professional and technical staff.

9. In October-November 1967, five British experts visited the Territories to make a socio-economic survey. a/ They were appointed with the following terms of reference:

"(a) To examine the human and physical resources of the Gilbert and Ellice Islands colony and the prospects for developing these resources, and in the light of those prospects to recommend the lines on which the future development of the colony should take place, and the financial implications.

"(b) To examine the policies and practices of the Government of the Gilbert and Ellice Islands Colony in the administrative, financial, educational, social and other fields, and the organization of government of the Gilbert and Ellice Islands Colony, and to make recommendations for short-term and long-term policies for development;

"(c) To examine, and to make recommendations on, the policies and practices of the Wholesale Society and its relationship to the Government and other government activities."

10. As regards economic development in the Territory, the report of the socio-economic survey states that there must be a concentration on economic development, particularly on agricultural improvement, fisheries, possibilities of industrial development, and improved communications, so that production can be increased to keep pace with the growth of population. The educational system also must be adequate to train Gilbertese to run their own country with a minimum of outside assistance. The report points out that as funds for development are limited, the maximum possible use should be made of local labour and local materials, and on these islands where the subsistence sector of the economy is very important, work

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a/ United Kingdom: Ministry of Overseas Development, _A Socio-Economic Survey of the Gilbert and Ellice Islands_, London, May 1968.

can be done without cash payment by voluntary labour organized through the island councils. The report suggests that the Wholesale Society, which is to be expanded into a development corporation (see para. 70 below) can provide an up-to-date management structure and can be used to operate new enterprises and public utilities.

## C. PUBLIC FINANCE AND TAXATION

11. General. In recent years, especially since 1965, both revenue and expenditure have been increasing rapidly.

12. A summary of revenue and expenditure for the period 1964-1968 follows:

| | 1964 | 1965 | 1966 | 1967 (revised estimate) | 1968 (estimate) |
|---|---|---|---|---|---|
| | (million Australian dollars) | | | | |
| Total local recurrent revenue | 0.75 | 1.01 | 1.16 | 1.41 | 1.45 |
| Total recurrent revenue | 1.48 | 1.81 | 2.27 | 3.43 | 3.11 |
| Total recurrent expenditure | 1.21 | 1.31 | 1.53 | 1.87 | 1.95 |
| Total expenditure (including public works extraordinary from recurrent funds) | 1.57 | 1.65 | 1.98 | 2.54 | 3.75 |

13. Expenditure of Colonial Development and Welfare grants during the same period was as follows: 1964, $A100,000; 1965, $A220,000; 1966, $A470,000; 1967 revised estimate, $A1 million; 1968 estimate $A750,000.

14. Returns from the main heads of taxation during 1966 and 1967 were as follows:

| | 1966 | 1967 |
|---|---|---|
| | (Australian dollars) | |
| Phosphate taxation | 1,036,214 | 1,948,921 |
| Export duty, copra | 271,463 | 290,569 |
| Import duties | 348,478 | 470,727 |
| Income tax | 69,313 | 146,046 |

15. According to the socio-economic survey, recurrent expenditure increased by about 62 per cent from 1964 to 1968, due to increases in the cost of all services, especially education. During this period, education expenditure increased by 145 per cent. The aggregate cost of the three main spending departments -

education, public health and public works (not including public works extraordinary) - amounted to 43 per cent of total recurrent expenditure in 1964; in 1968, it amounted to 55 per cent of total recurrent expenditure (excluding the operating deficit of the Marine Department).

16. The large increases in development expenditure were possible owing to larger grants from Colonial Development and Welfare funds. These grants amount to £600,000 for the two-year period 1968-1970, which represents an increase of 25 per cent per annum, compared with the three-year period 1965-1968 when they amounted to £720,000.

17. Large increases in recurrent expenditure were made possible by the availability of much larger sums from phosphate taxation, from 1965 onward, and particularly in 1967 when the retrospective payment of the increases given in 1966 was made. A further rise in phosphate payments, both from increased extraction and higher rates of taxation, was expected as a result of the 1967 Wellington agreements.

18. Additional receipts from phosphate taxation, however, were used for budgetary expenditure. Recurrent revenue and expenditure are summarized in the following table in order to show the extent to which phosphate taxation was drawn upon for the increase in recurrent outlay:

| | 1964 (actual) | 1965 (actual) | 1966 (actual) | 1967 (revised estimates) | 1968 (estimates) |
|---|---|---|---|---|---|
| | | | (million Australian dollars) | | |
| Local recurrent revenue | 0.75 | 1.01 | 1.16 | 1.41 | 1.43 |
| Phosphate revenue | 0.73 | 0.80 | 1.11 | 2.02 | 1.68 |
| Total revenue | 1.48 | 1.81 | 2.27 | 3.43 | 3.11 |
| Recurrent expenditure | 1.38 | 1.42 | 1.68 | 2.07 | 2.23 |
| Public works extraordinary | 0.19 | 0.23 | 0.30 | 0.47 | 0.50 |
| Total expenditure from recurrent funds | 1.57 | 1.65 | 1.98 | 2.54 | 2.73 |
| Phosphate revenue spent | 0.73 | 0.64 | 0.82 | 1.15 | 1.40 |
| Phosphate revenue saved | (0.09)[a] | 0.16 | 0.29 | 0.89 | 0.28 |

a/ Excess of Recurrent Expenditure over Recurrent Revenue.

19. The Socio-Economic Survey states that from 1956 to 1962, in accordance with a directive from the Secretary of State for the Colonies of the United Kingdom, considerable sums from phosphate taxation receipts were put to reserve in a fund known as the Revenue Equalization Fund. This policy was not, however, strictly followed after 1962 and any surplus accruing on the budget remained in the General Revenue Balance which has been increasing and is now very much larger than is required as a safeguard against current shortfalls in revenue. The Revenue Equalization Fund, which is invested on behalf of the Territory by the Crown Agents for the Colonies (at present wholly in United Kingdom and Commonwealth Government securities) has also been growing as the interest on it is reinvested.

20. The Socio-Economic Survey concluded inter alia that a continuation in the growth of recurrent expenditure at the rate prevailing in the last years would absorb the whole of the revenue from phosphate taxation in four to five years' time. Development expenditure has been largely on "infrastructure" and only to a small extent on increasing productive capacity. According to the survey, an over-all review of financial policy was now necessary, and future policy would have to be determined by the need to maintain a reasonable level of services in the Territory, the amount of funds available, and the need to make provision for future current revenue to replace, at least to some extent, that which would be lost when the phosphates were exhausted. The report further stated that services and "infrastructure" were now at a reasonable level and should not, on the whole, be expanded much further. Unspent phosphate revenue which was in the General Revenue Balance should be transferred to the Revenue Equalization Fund, and, in future, one quarter of the receipts from phosphate taxation should be placed in reserve each year.

21. Over the next four to five years, the report continued, revenue would probably permit a rate of growth in recurrent expenditure of 4 to 5 per cent annually, and there were some possibilities for increased taxation, probably in the form of a "basic" tax on wages and salaries. Recurrent expenditure should be reviewed with the object of giving preference to expenditure which contributed directly or indirectly to economic development, and additional responsibilities for expenditure might be transferred to the island councils. When phosphate revenue ended, the return from invested reserves would contribute to making good the loss, but would not fully replace it. Development funds should be mainly sought from outside the Territory, but there might be some projects in which, subject to suitable safeguards, phosphate reserves might be invested. There were a few sources of local savings for capital investment.

22. Customs duties. The only export duty is from copra. In 1967 it continued to be levied at the rate of 20 per cent ad valorem of the f.o.b. value. In the same year, the import duty on alcoholic liquors, tobacco and cigarettes was increased, while a number of other items was exempted from duty.

23. Income tax. In 1967, income tax was levied on individuals, both resident and absentee, at the rate of 8 cents (Australian) for every \$A2.00 of the first \$A400 of taxable income, rising on a sliding scale to \$A1.50 for every \$A2.00 exceeding \$A20,000 of taxable income.

24. Company taxes. Companies pay tax at the following rates: insurance companies 7.2 cents (Australian) on every \$A2.00 of taxable income; shipping companies 3.6 cents (Australian) on every \$A2.00 of taxable income, and other companies 22 1/2 per cent on all taxable income.

25. Tax on phosphate. The administering Power reports that in September 1967, it was agreed that with effect from 1 July 1967, the rate of phosphate extraction would be increased to a maximum economic rate (estimated to be about 550,000 tons per annum) and that, after deducting production costs from an estimated f.o.b. price, which was fixed initially at \$A11.00 per ton, the full proceeds of extraction would be divided between the Banaban landowners in the form of royalties and the territorial Government in the form of taxation, in proportions to be agreed upon by the United Kingdom Government.

## D. CURRENCY AND BANKING

### Banking

26. The Government Savings Bank, its five branches and the touring officers who act as Savings Bank Officers continued to serve in the Territory. The bank pays interest on deposits ranging from $A2 to $A5,000 at the rate of 2 per cent; deposits in excess of $A5,000 are accepted but do not bear interest. The administering Power reports that efforts were made during 1967 to recruit a Savings Bank Officer to take over the savings bank duties performed by the Chief Postmaster and it was expected that an officer would be appointed in mid-1968.

27. At 31 December 1967, deposits accepted by the Wholesale Society totalled approximately $A71,000 compared with $A73,500 in 1966.

28. Statutory credit facilities. An Agricultural Industrial Loans Board, established by ordinance in 1959, is in operation with a working capital of $A110,000 made available by the Copra Board and central Government. Loans totalling $A37,700 were approved to twelve applicants in 1967. At the end of the year, however, only $A8,000 of this sum had actually been paid out. Repayments of capital received during the year amounted to $A6,540 and interest payments received totalled $A765.

29. The number and amount of loan payments made by the Board and the total of capital repayments and interest payments over the period 1963-1967 were as follows:

| | Number of loan payments | Amount | Capital repayments | Interest payments |
|---|---|---|---|---|
| | | | (Australian dollars) | |
| 1963 ...... | 4 | 5,140 | 1,666 | 171 |
| 1964 ...... | 2 | 6,000 | 2,106 | 158 |
| 1965 ...... | - | - | - | - |
| 1966 ...... | 7 | 18,600 | 3,270 | 552 |
| 1967 ...... | 3 | 8,000 | 5,540 | 753 |

## E. FOREIGN TRADE

30. The following table summarizes the value of imports and the quantity and value of exports during the years 1966 and 1967:

| | 1966 | 1967 |
|---|---|---|
| | Value (Australian dollars) | |
| Imports | 2,694,568 | 3,942,689 |
| Exports: | | |
| Phosphate | 3,078,200 | 4,447,000 |
| Copra | 1,227,063 | 1,504,749 |
| | Volume (tons) | |
| Phosphate | 375,400 | 444,700 |
| Copra | 8,975 | 10,341 |

31. The principal imports are food-stuffs, fuels, timber, machinery and clothing, mostly from Australia, the United Kingdom, Fiji and Japan. Exports went United Kingdom (mainly phosphate), Australia and New Zealand (mainly copra).

## F. AGRICULTURE

32. The experts who undertook the socio-economic survey of the Territory were of the opinion that "with their rapidly growing population and the prospective [illegible] of phosphate revenues, the Gilbert and Ellice Islands are in need of as [illegible] development of their own resources as possible. These resources are not extensive; land area is very limited; soils are not good and there seem to be only a few crops which will do well in them".

33. The report mentions land reclamation schemes as a possible line of development of natural resources, and, referring to the Land Reclamation Project which it was [illegible] in 1966 to undertake on the island of Maiana at an estimated total cost [illegible]000, it states: "So far the economics of the scheme have not been studied, and the question of whether land reclamation will yield an adequate return on investment is likely to have to await the completion of the pilot project, when more information will be available both as to actual reclamation costs and the cultivable possibilities of reclaimed land. But if the land will grow a reasonable quantity of coconuts or other crops, and costs can be kept down, in view of the increasing density of population and the difficulty of finding alternative employment, expenditure on reclamation land should justify itself in terms of additional output."

34. The various agricultural projects which had been operated separately by the Agricultural Services were for the first time co-ordinated into one department, with the establishment of the Department of Agriculture in January 1967 and the appointment of a Senior Agricultural Officer in November of the same year.

35. The administering Power reports that substantial progress was made with the coconut improvement campaign, specially on the islands of Tarawa, Arorae, Makin and Kuria, where a total of 83,950 coconut seedlings had been transplanted at the end of 1967. Experiments with a variety of food crops were continued at Bikenibeu, under the Plant Introduction and Livestock Improvement Project which was started in 1965 and which is financed through United Kingdom Freedom from [illegible] funds.

36. Commenting on the Plant Introduction and livestock Improvement Project, the Socio-Economic Survey states that "if the coconut campaigns and the new planting programme are to succeed, and research and investigation and extension work on coconuts, livestock and fruit and vegetables are to be developed, it will be essential for the Department [of Agriculture] to be considerably strengthened and enlarged".

37. The report draws attention to an outline programme for expanding the Department of Agriculture's work and which was put forward by the Senior Agricultural Officer. The programme proposes that there should be extension staff premanently on fourteen of the sixteen of the Gilbert Islands and three of the nine of the Ellice Islands, with all the islands receiving the services provided by the staff. After presenting an outline of the programme's proposals, the Socio-Economic Survey's report states: "These items appear to include most of what is needed for investigation and practical improvement in agriculture over the next few years, and there can now be said to be a basis for an agricultural policy. The important thing is to set about obtaining the necessary staff and carrying out programmes of agricultural improvement and development on an adequate scale without delay, as many of these programmes will take a number of years to show results and the growth of population is continuing steadily, so that the available land resources need to be made use of as fully as possible."

38. Copra production. In 1967, favourable weather conditions resulted in a record copra production of 11,199 tons, exceeding the previous year's production figure by 2,752 tons. Of this production, 8,683 tons came from island producers (compared with 6,176 tons in 1966) and 2,516 tons from the Line Islands Plantation (compared with 2,273 tons in 1966). Copra exports totalling 10,841 tons were valued at $A1,584,749 in 1967, compared with 8,973 tons valued at $A1,227,063 in 1966.

39. There was no change in the arrangements for marketing the Territory's copra through the Copra Board which continued to subsidize copra prices at the rate of $A22 per ton for the first half of 1967. By the end of the year, however, with the substantial rise in the world market price, the position had much improved and the board was able to achieve a surplus of $A32 per ton on the price paid to its agent, the Whloesale Society. The price paid by the Island Co-operative Societies to local producers during 1967 remained unchanged at three cents (Australian) per pound for first-grade and two and a half cents (Australian) per pound for second-grade copra, equivalent to $A67.20 and $A56 per ton respectively.

40. The Copra Board activities and related matters are partly described and commented on in the Socio-Economic Survey's report. According to the survey, the f.o.b. price of each shipment of copra varies, and producer prices are also changed quite frequently, sometimes two or three times annually, but when export prices have fallen the Copra Board's reserves have in recent years often been used to bring about a smaller reduction in the producer price than that in the f.o.b. price; at the present time the producer price for first grade copra is being subsidized to the extent of $A8.70 a ton. The board started operations with considerable reserve funds, amounting at the beginning of 1956 to approximately $A650,000, which had been derived from a cess on copra purchases during the years 1948 to 1959. Up to 1960, contributions to reserves were continued and no calls were made on them, and at the end of March 1960 they had increased to $A1,078,000. Since that date, however, some support has been given

to producer prices each year, and reserves declined gradually to $A941,000 at 31 March 1965. Subsequently the decline was much more rapid - the cost of price support amounted to $A116,000 in 1965-1966 and $A137,000 in 1966-1967, and at 31 March 1967 the reserves were down to $A487,000. Since it is estimated that approximately $A500,000 is required by the board for working capital, mainly to finance copra from the point of purchase to when it is loaded on to ships for export, this means in effect that the board has now no free reserves until such time as they can be built up again by withholding from producers some of the amounts received from shipments.

41. Commenting on the activities of the board in recent years, the report stated that during this period it did not appear to have followed any clear or consistent policy in regard to price support, nor had it attempted to stabilize producer prices.

42. The report pointed out that fluctuations in the incomes of copra producers from year to year were considerable and created instability throughout the economy and in government revenue, as well as being a cause of distress among producers. These fluctuations arise from both changes in prices and in output, the latter depending mainly on rainfall in the previous years and varying a great deal as between different islands. The report stated that a policy of stabilization of prices and more particularly of incomes from copra would be of great benefit to copra producers and to the rural areas generally, especially when employment and earnings from the Ocean Island phosphate deposits come to an end, at which time copra sales would provide practically the only source of cash income. The preparation of a stabilization scheme presented some difficult problems. Moreover, no scheme could be inaugurated in the near future, until there were again some free reserves available, over and above those needed for working capital.

43. The report further stated that contributions by the board, directed towards improvement of the industry, had been very small. The sum of $A100,000 had been provided for the Agricultural and Industrial Loans Board, and there had been a contribution averaging $A5,000 per annum since 1965 to the coconut improvement scheme being run by the Agricultural Department. A further $A8,000 a year had been promised towards the cost of a rat extermination scheme when it came into operation. The report recommended that such contributions might usefully be increased to cover a wider range of activities concerned with better cultivation, handling, and transport.

## G. FISHERIES

44. Fishing from canoes, both in the lagoon and at sea, is an important activity in all the islands and provides a considerable part of the inhabitants' food supplies. Fish are also caught in tidal fish traps and many islands have fish ponds from which supplies can be obtained when bad weather prevents sea fishing. In recent years these ponds have been stocked with tilapia, but these are not popular with the islanders and it is now proposed to replace them with the traditional milk fish.

45. Following a visit to the Territory in 1966, the Fisheries Officer of the South Pacific Commission confirmed the feasibility of establishing a tuna fishing industry in the Territory's waters. Subsequently, the Fisheries Officer of the

British Solomon Islands visited the Territory at the end of 1966 to advise the Gilbert and Ellice Government on the steps to be taken to promote the development of a small-scale fishing industry at Tarawa. He concluded that the present intensity of subsistence fishing in the Tarawa lagoon makes it an unreliable source of supply for a commercial undertaking. He proposed instead to establish a small-scale fishing unit project with adequate shore facilities for the processing and preservation of catches and to encourage local fishermen to exploit the stocks of tuna and bottom fishes frequenting the off-shore waters of Tarawa. The administering Power reports that the territorial Government was considering these proposals and examining ways and means of obtaining financial support for their implementation.

46. The team of experts who undertook the socio-economic survey reported that in 1967, a local operator had already made plans for setting up a small refrigerating plant at Tarawa to supply the needs of the wage and salary earning community there.

47. Commenting on the report, the survey generally supported the recommendations of the Fisheries Officer of the South Pacific Commission, especially the appointment of a Fisheries Officer. "The resources of the surrounding ocean are obviously one of the major assets of the Gilbert and Ellice Islands Colony and the possibilities of exploiting them need to be given the fullest attention. This can only be done by a full-time officer on the spot who can carry out the various investigations and experiments which will be required. The local market for fish sales does not seem likely to be at all large, and the aim must be to develop an export trade if this is feasible; there may also be export possibilities for other marine products such as beche-de-mer crayfish, sharks' fins, roes and collectors' shells. Work can also be done to improve local fishing for subsistence, e.g. methods of preservation such as salting as well as catching. If fish-meal plants could be established they could provide fertilizer and food for livestock. The field for investigation and activity is clearly a large one."

## H. MINING

Phosphate industry

48. The phosphate deposits on Ocean Island have been worked since 1900. Phosphate production is controlled by the British Phosphate Commissioners who are responsible to the Government of the United Kingdom, Australia and New Zealand. The net proceeds from the phosphate industry are shared by the Banaban people who own the mineral rights, and the Government of the Gilbert and Ellice Islands, in the ratio of 15 per cent to 85 per cent. Most of the Banabans who are the original inhabitants of Ocean Island are now living on Rabi Island near Vanua Levu in Fiji. Sixteen Banabans have been employed in the phosphate industry on Ocean Island since the autumn of 1968 and therefore now live there with their dependants.

49. Phosphate exports in 1967 totalled 444,700 tons valued at $A4,447,000 compared with 375,000 tons valued at $A3,078,280 in 1966. The rate of taxation for the phosphate year 1 July 1966 to 30 June 1967 was $A3.51 per ton of phosphate exported. The maximum authorized extraction rate during this period was 450,000 tons per annum but with an agreement by the partner Governments

in September 1967 it was decided that the extraction rate should if possible be raised to 500,000 tons in 1967-1968 and subsequently to as near 600,000 tons per annum as could be achieved, subject to the overriding aim of keeping costs as low as possible. Economies would thus be realized and there would be increases in taxation receipts for the Government of the Gilbert and Ellice Islands and in royalties for the Banabans.

50. The report stated that from 1960 to 1967, approximately half of the Territory's current budgetary receipts each year were obtained from phosphate payments, although in most years during this period an important proportion of the phosphate revenue was put in reserve. Revenue from phosphates was between $A650,000 and $A700,000 a year from 1960 to 1964; it was $A800,000 in 1965, $A1.1 million in 1966 and $A1.95 million in 1967.

51. On Ocean Island, there is a surplus of receipts from current local taxation over local expenditure, since the British Phosphate Commissioners and their employees are liable for all territorial taxation levied there. Local receipts in 1966 were $A120,787, of which customs duties provided $A87,365 and direct taxation $A14,442, while local expenditure amounted to$A49,449.

52. The phosphate industry provides direct employment for approximately 700 Gilbert and Ellice Islands inhabitants. The wages earned by these workers amount to $A692,609 in 1967; in addition employees and their dependants, (approximately 2,000), were provided with free furnished accommodations and rations the total value of which was $A34 per calendar month per employee. Although there are no statistics available as to the amount of earnings which were returned to islands from which the workers came, it was estimated that these earnings made a substantial contribution to the cash incomes of the islands concerned.

Recent negotiations concerning the phosphate industry

53. In October 1968, negotiations on phosphate taken from Ocean Island took place in London between representatives of the Gilbert and Ellice Islands, representatives of the Banabans, and United Kingdom officials.

54. According to reports, the Banaban representatives made the following requests: immediate independence for Ocean Island so that the Banabans would be in a better position to retain their separate identity and secure financial justice; a reduction in the extraction rate of phosphate from the present 600,000 tons a year to 450,000 tons, so that Ocean Island's life could be extended until 1981 instead of 1977 and allow the Banabans to better prepare for the future; restoration of the surface of Ocean Island to its original conditions at an estimated cost of $A80 million, to be contributed by the three partner Governments; the United Kingdom to make an ex gratia payment for the development of Rabi Island without any strings attached; and the Banaban people to receive full economic benefit from their phosphate. In making their requests, the Banaban representatives pointed out that with the current level of taxation, the Banaban people were providing 50 per cent of the total revenue of the Gilbert and Ellice Islands.

55. According to the same reports, the United Kingdom Government rejected the Banaban representatives' requests but reiterated its position that it was

prepared to renew the offer of a grant of £80,000 it had made in 1967, conditional only on its controlled application to the development of Rabi Island.

56. The United Kingdom Government has offered to assist the Banabans in the development of Rabi, their current home, and has transferred £80,000 to the Banaban Development Fund for immediate disbursement on projects prepared by technical assistance experts, which the Banaban leaders had been discussing with the Fiji Government.

57. According to the administering Power (A/AC.109/SC.3/SR.90), the representatives of the Gilbert and Ellice Islands Government have argued strongly that the 15 per cent royalty adequately compensated the Banaban owners and that the Territory's lack of natural resources called for heavy investment in infrastructure, diversification projects and social services, which could only be financed from the remaining 85 per cent. Considering that the per capita income and resources of the 2,000 Banabans was infinitely greater than those of the 50,000 Gilbert and Ellice Islanders and considering the progressive depletion of the phosphate deposits, the level of taxation could not be considered inequitable. After weighing all the factors, the United Kingdom Government, whose decision the Banaban delegation had agreed to accept, had found that there was no grounds for altering the present formula.

58. In February 1969, the Under-Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom was questioned in the House of Commons concerning independence for the Banabans who "presumably envisage an independent state within the Commonwealth of two small islands a thousand miles apart." The Under-Secretary replied by drawing attention to a document placed in the Parliamentary Library after the London discussions in October 1968, on the Ocean Island phosphates. "During those discussions my right honourable Friend the Minister of State for Foreign and Commonwealth Affairs said: 'In this context, I must remind you of a cardinal principle to which Britain has adhered closely in the past in dealing with her dependent territories, and to which we continue to adhere -- that the wishes of the people of the territory must be the main guide to acction. There are cases where adherence to this principle has led to difficulties for Britain. But the fact remains that we must be guided by the wishes of the people as a whole within the existing boundaries of the territories. In this case those members of the Gilbert and Ellice Islands Colony Delegation who are elected members of the House of Representatives (including the Chief Elected Member of the Governing Council) and thus representing the people of the Gilbert and Ellice Islands Colony, have made it absolutely clear that they would not agree to the exclusion of Ocean Island from their territory either now, or at any time when the Gilbert and Ellice Islands Colony may reach some status other than its present relationship with Britain. On these grounds, I have to state that it is not possible for Her Majesty's Government to consider the exclusion of Ocean Island from the Gilbert and Ellice Islands Colony through the grant of independence on Ocean Island to the Banaban community.' It is entirely out of the question to consider Rabi as being excluded from the Fiji group. The Fijians would not consider severance of the island from Fiji. There would certainly be repercussions from Fiji politicians if we were in any way to suggest that that is possible. There seems no question of an agreement that Rabi should be separated from Fiji and Ocean Island or the Gilbert and Ellice Islands Colony and made into one State."

## I. LABOUR

59. In 1967, the territorial Government employed permanently 796 persons (excluding nearly 300 workmen) of whom 77 were expatriates; the island councils employed about 130 senior and 240 subordinate officials, all being either Gilbertese or Ellice Islanders.

60. During the same year, the British Phosphate Commissioners at Ocean Island employed 525 Gilbertese and Ellice Islanders, 47 Europeans and 37 Chinese. A further 819 local workers were employed by the Commissioners at Nauru.

61. The copra plantations in the Line Islands (Christmas Island Plantations, owned and operated by the territorial Government, and the privately owned Fanning Island Plantation, Ltd.) employed about 269 local workers, and six Europeans or Euronesians.

62. At Tarawa, the Wholesale Society, the principal trading corporation, had on its permanent staff 242 local employees and 11 expatriates and maintained a permanent labour force of 144. It had a pool of 100 to 130 casual labourers who were employed more or less continuously throughout the year, and recruited about 240 more to work each of the three overseas vessels which collected copra at Tarawa.

63. Co-operative societies within the Territory employed 233 Gilbertese and Ellice Islanders in 1967. From time to time, a large number of casual labourers are hired for handling cargo and copra both at Tarawa and in the outer islands.

64. At Santo, in the New Hebrides, the South Pacific Fishing Company continued to employ 30 Gilbert and Ellice Islands labourers whom it had recruited in 1964, while 50 Gilbertese were also still employed there by an organization of planters.

65. The basic wage per month of employees of the British Phosphate Commissioners at Ocean Island during 1966 and 1967 was as follows:

| | 1966 | 1967 |
|---|---|---|
| | (Australian dollars) | |
| Average European's wage . . . . . . . . | 299 | 367 |
| Basic wage rate for: | | |
| Chinese mechanics . . . . . . . . . . | 44 | 46-60 |
| Chinese labourers . . . . . . . . . . | 26 | 28-60 |
| G. and E. labourers . . . . . . . . . | 26 | 28-60 |
| G. and E. clerical workers . . . . | 41 | 43-60 |
| G. and E. tradesmen . . . . . . . . . | 44 | 46-60 |

66. Overtime rates were increased during 1967. Labourers receive 54 cents (Australian) per hour on week-days (compared with 29 cents in 1966) and 72 cents

on Sundays and gazetted holidays (compared with 39 cents in 1966); tradesmen and equivalent grades receive 70 cents (compared with 49 cents in 1966) and 93 cents (compared with 66 cents in 1966).

## J. TRADING CORPORATIONS

67. The administering Power reports that the Wholesale Society sold its vessel early in 1967 and purchased a new and larger vessel which it is operating economically and which has enabled the Society to extend its freight operations to Majuro for the purpose of transshipping cargo from Australia. The Society made a net profit in all its operations of $A165,000 in 1967 (compared with $A141,842 in 1966), which was reduced to $A120,000 after taxes (compared with $A113,120 in 1966).

68. At the end of 1967, there were 26 consumer/marketing societies, 6 village consumer/marketing societies affiliated to an Island Co-operative Wholesale Society, 2 independent consumer/marketing societies, 4 consumer societies, 1 thrift and credit society, and the Gilbert and Ellice Co-operative Federation, to which all trading societies are affiliated.

69. The total turnover of the registered consumer/marketing societies for the 1966-1967 financial year was $A1,558,325, compared with $A1,507,984 for 1965-1966. During the same year, the total turnover of the consumer societies operating on the headquarters island of Tarawa amounted to $A327,691, compared with $A305,230 in 1965-1966. Co-operative societies distributed a total of $A56,124 as a patronage bonus, and $A51,072 were added to reserves. During 1966 and 1967 co-operative societies spent about $A75,000 on new buildings in permanent materials.

70. The Wholesale Society carries out most of the commercial and trading activity in the Territory, supplies the retail co-operative societies, carries out internal transport and handling of copra for the Copra Board, operates ships, a boat-building and repair yard, maintains oil storage and fuel distribution facilities, and manages the local hotel and travel agency. One of the terms of reference of the Socio-Economic Survey was "to examine and to make recommendations on, the policies and practices of the wholesale society and its relationship to the Government and other government activities".

71. In its summary of conclusions and recommendations, the Socio-Economic Survey which also includes a detailed study on the Society, states:

> "The Wholesale Society's activities have steadily expanded in the last six years, and as they cover an increasingly wide field it should be reconstituted as a statutory Development Corporation, which through subsidiary companies could engage in agricultural and industrial enterprises, operate public utilities and transport services, and manage hotels, banking and insurance activities, and building and engineering workshops. Existing Wholesale Society and government enterprises and their assets in these fields - e.g. Wholesale Society and government ships and government-owned buses - should be transferred to the Development Corporation. Amalgamation of the Public Works Department and the engineering section of the Wholesale Society would save much duplication of facilities and stores, but cannot

be fully carried out until the causeway between Bairiki and Betio has been built, and the Government will have to retain a works consultant office.

"For the present subsidiary companies should be fully owned by the Development Corporation, but there might be some private participation in some of them at a later stage. The existing interest of the co-operative societies in the Wholesale Society, amounting to 30,100 shares at £A1.00 each should be redeemed at its face value, but the Cooperative Federation should be represented on the Board of the Corporation and on the boards of certain of its subsidiaries. Subsidiary companies should be profit-making or at least self-supporting, and Government should subsidize necessary services which cannot be run except at a financial loss. The Corporation should be able to use profits of subsidiaries to finance new projects and support projects which have a prospect of profitability. Government representation on the Board of the Corporation would be mainly official at first, but non-officials might be brought in later; on the boards of subsidiary companies various outside interests might be represented.

"There have long been arrangements for the pooling of copra transport costs between the islands and Tarawa, so that prices paid to copra producers are the same in all the islands, and the same policy has been followed by the Wholesale Society in supplying goods to the island retail co-operative societies, all of which are charged the same prices. There have recently been difficulties in applying this policy because of the growth of private trade on south Tarawa and the rise in shipping costs, but it has many advantages and should be retained. This can best be done by levying a charge on all imported goods (with a few exceptions) and using the proceeds to pay the transport costs by sea from Betio to the islands for all consignees - Wholesale Society, government, and private - so that prices can be equalized and competition secured throughout."

APPENDIX V

SOLOMON ISLANDS

CONTENTS

## INTRODUCTION

1. Basic information concerning economic conditions in the British Solomon Islands with particular reference to foreign economic interests is set out in the report of Sub-Committee I of the Special Committee contained in A/7320/Add.1. Further information on recent development is set out below.

## A. LAND AND PEOPLE

2. The total population was estimated to be 145,630 in 1967, compared with 142,740 in 1966, composed as follows: Melanesian, 136,000; Polynesian, 5,340; Micronesian, 1,960; European, 1,340; Chinese, 640; and Others, 350. The largest concentration of population, in Honiara, was estimated to be 7,500 at the end of 1967.

## B. GENERAL ECONOMIC CONDITIONS

3. Although unusual weather conditions were reported in the Territory for the second successive year, production of copra, its most important crop, totalled 23,517 tons in 1967, an increase of 211 tons over the 1966 figure. Solomon Islanders produced 58.6 per cent of this copra, compared with 54.1 per cent in 1966. Cocoa production, which was seriously affected by cyclone damage and continuing difficulties in getting this crop established, fell from 96 tons in 1966 to 60 tons in 1967. Production of rice, an important staple food in the Territory, fell sharply in 1967 when it totalled 203 tons of padi, compared with 400 tons in 1966. In 1968, however, rice production rose to 2,000 tons, approximately two thirds of local consumption. Until then, almost all the Territory's annual requirements of about 3,200 tons had been imported. Experiments with soya beans were continued in 1967 but in 1968, as rice cultivation reached a peak, soya bean cultivation was temporarily abandoned.

4. Timber exports more than doubled in 1967. They totalled over 2.8 million cubic feet, compared with approximately 1.15 million cubic feet in 1966. Log production was reported to be 4.5 million cubic feet in 1968 and interest in the industry was such that four major logging and ten saw-milling companies were actively engaged in forestry. The administering Power reports that the timber industry has expanded considerably as a result of progress in roadwork and long-term extraction planning.

5. A <u>bêche-de-mer</u> factory and a tobacco factory (producing 600 pounds of processed tobacco a week) went into production during 1967 and plans were announced for the cultivation and export of gold lip pearl shell on a commercial basis. In addition, a rattan furniture factory was producing 100 chairs a month.

6. Other economic developments in 1968 included the establishment of a shipping link with New Zealand; the remaking of Henderson airfield, which is expected to open for service by the end of June 1969 and to be completed to DC-6 standard

by August; and several smaller-scale ventures - such as the establishment of a bus service in Honiara and the expansion of motel-type accommodations.

## C. PUBLIC FINANCE AND TAXATION

7. Following is a summary of revenue and expenditure for the years 1967-1969:

(Australian dollars)[a]

| | Revenue excluding grant-in-aid | Grant-in-aid | Expenditure |
|---|---|---|---|
| 1967 (actual) | 6,704,162 | 1,605,917 | 8,311,256 |
| 1968 (revised estimate) | 6,218,326 | 2,181,574 | 8,702,090 |
| 1969 (estimate) | 6,707,270 | 2,331,584 | 9,038,854 |

a/ Australian currency is used in the Territory. One Australian dollar ($A) equals $US1.12.

8. Revenue is derived mainly from import and export duties, income tax and a company tax. The budget is balanced by a grant-in-aid from the United Kingdom. Revenue during the period 1967-1969 was as follows:

(Australian dollars)

| Head of expenditure | 1967 | (Revised estimate) 1968 | (Estimate) 1969 |
|---|---|---|---|
| Total local recurrent revenue | 3,012,040 | 3,278,406 | 3,536,930 |
| Grant-in-aid | 1,605,917 | 2,181,574 | 2,331,584 |
| Colonial Development and Welfare | 438,289 | | |
| Overseas Service Aid Scheme | 734,819 | | |
| Total local recurrent revenue | 5,791,065 | 5,459,980 | 5,876,914 |
| Total capital revenue | 2,519,014 | 2,939,920 | 3,161,940 |
| Total revenue | 8,319,079 | 8,399,900 | 9,038,854 |

Main heads of taxation

9. The main heads of taxation and the yield from each during 1966 and 1967 were as follows:

| | 1966 | 1967 (estimated) |
|---|---|---|
| Import duties | 1,012,774 | 1,160,000 |
| Export duty, copra | 453,783 | 550,000 |
| Export duty, timber | 29,196 | 60,000 |
| Other export duties | 10,580 | 15,600 |
| Income tax | 242,136 | 305,000 |
| Royalty, timber | 6,030 | 15,000 |

10. According to reports, when the Territory's Financial Secretary introduced the 1969 budget in the Legislature in December 1968, he announced that company tax rates had been increased from 7.5 to 25 per cent, while the existing restriction on dividends of resident shareholders had been abolished. Maximum personal tax amounted to $A0.35 per dollar for incomes above $A8,100, but liability was restricted to a maximum of 25 per cent of any individual gross income. The new tax structure is reportedly believed by the Territory's Financial Secretary "to strike a balance between the harsh realities of the country's expenditure needs, the ability of the individual tax payer to pay a reasonable impost, and the need to preserve a climate which is still favourable to investment".

## D. CURRENCY AND BANKING

11. Eighteen loan payments totalling $A58,254 were made through the Agricultural and Industrial Loan Board during 1967. During the same year repayments of capital amounted to $A62,364 and interest payments totalled $A11,622.

The following table gives a breakdown of activities of the Loans Board during the years 1963-1967:

| | Number of loan payments | Amount (Australian dollars) | Capital repayments | Interest payments |
|---|---|---|---|---|
| 1963 | 11 | 29,658 | 50,252 | 8,526 |
| 1964 | 15 | 83,156 | 54,730 | 8,572 |
| 1965 | 19 | 51,396 | 62,446 | 10,446 |
| 1966 | 18 | 123,506 | 62,832 | 8,515 |
| 1967 | 18 | 58,254 | 62,364 | 11,622 |

The Loans Board estimated that a sum $A141,000 would be available for loans in 1968.

## E. COMMERCE

12. In 1967, exports were valued at $A4,911,927, re-exports at $A189,680 and imports at $A8,198,347, compared with $A3,570,510, $A186,617 and $A8,522,506 respectively in 1966. In 1967, copra exports were valued at $A3,628,731, an

increase of $A600,000 over 1966 and timber exports were valued at $A1,079,081 an increase of $A680,000 over 1966; enhanced value in both cases was due to an increase in the quantities exported.

13. Imports were valued at $A8,198,347 in 1967, compared with $A8,522,506 in 1966. The administering Power reports that the decrease in value of total imports in 1967, compared with 1966, was due to the fact that special equipment valued at $A500,000 was imported for a tracking station in 1966, which distorted the import statistics for that year. As primary industries continued to expand, the value of imported agricultural and forestry machinery and equipment and tractors exceeded $A950,000 in 1967.

14. There was a change in the pattern of exports in 1967; more than 90 per cent of the timber and 30 per cent of the copra were bought by Japan whose share of the market increased from 27.9 per cent of the Territory's exports to 40 per cent. The United Kingdom's share, however, dropped to 42.8 per cent. In 1968, the United Kingdom's share increased to 47.4 per cent and Japan's share dropped to 30.2 per cent.

15. Australia remained the main supplier of goods to the Territory, with 44.6 per cent of total imports in 1967 and 42.4 per cent in 1968. The United Kingdom supplied 15.8 per cent in 1967 and 21.4 per cent in 1968 and the United States of America 10.3 per cent in 1967 and 10.6 per cent in 1968.

## F. AGRICULTURE

16. Copra remains the most important crop. Production in 1967 was 23,517 tons, only 211 tons above that of 1966. Cocoa production was 60 tons, 36 tons less than in 1966. During 1967, 335 (compared with 371 in 1966) acres of commercially grown rice were harvested on the Guadalcanal Plains, producing 203 tons of padi, compared with 400 tons the previous year. However, in 1968, rice production reached a total of 2,000 tons and fell short of local consumption by 1,000 tons. Experiments with soya beans continued in 1967 but in 1968, as rice cultivation reached a peak, soya bean cultivation was temporarily abandoned. Other minor crops are under trial in the Territory. Reports on samples of chillies sent to the United Kingdom for assessment were favourable and members of a Co-operative Society on Malaita were encouraged to plant a few acres of chillies from which a commercial sample is being accumulated for marketing in the United Kingdom. The demand for subsistence crops such as yams, taro and sweet potatoes and of temperate type vegetables increased with the rising population in urban areas, particularly in Honiara.

17. Basic data on soils and land use appraisal are not available except for a limited area on the Guadalcanal Plains. During 1967, two officers of the land Resources Division of the Directorate of Overseas Surveys began a five-year programme to survey areas thought suitable for agricultural or forestry development.

18. An area of 4,600 acres of Crown leasehold land on the Guadalcanal Plains was offered for lease. The successful applicant proposes to develop the area for arable cropping and for the production of beef cattle.

Copra industry

19. Copra production in 1967 totalled 23,517 tons. Although this was 211 tons more than in 1966, it was 1,735 tons less than the highest annual total of 25,252 tons in 1964. The most important factors affecting production were the two cyclones of November 1966 and March 1967: of the two sectors of the industry, the plantations sector that suffered the greater loss in production. The increasing senescence of palms, particularly in the plantation sector and in Solomon Islands groves in the western district continued to be a matter of concern, and late in 1967 a replanting subsidy scheme was announced to encourage the replanting of 10,000 acres of old palms over a period of five years.

20. Production from Solomon Islanders was a record 13,770 tons, 1,165 tons more than in 1966 and 601 tons more than the previous highest annual production of 13,169 in 1964. The percentage of Solomon Islanders production rose from 54.1 per cent in 1966 and 58.6 per cent in 1967. Plantation production of 9,747 tons was 953 tons less than in 1966 and 2,620 tons less than the highest recorded postwar plantation production of 12,367 tons in 1963.

21. Copra production from 1961 to 1967 was as follows:

| | Plantation production (tons) | Solomon Islander's production (tons) | Total (tons) |
|---|---|---|---|
| 1961 | 12,257 | 11,629 | 23,886 |
| 1962 | 11,821 | 11,869 | 23,690 |
| 1963 | 12,367 | 12,832 | 25,199 |
| 1964 | 12,083 | 13,169 | 25,252 |
| 1965 | 11,850 | 12,693 | 24,543 |
| 1966 | 10,700 | 12,605 | 23,305 |
| 1967 | 9,747 | 13,770 | 23,517 |

22. Copra remained the only major agricultural crop produced for export. The value of copra exported in 1967 was $A3.628,731 or 73.8 per cent of the total value of all domestic exports, compared with 85 per cent in 1967. The decrease is attributable to the marked rise in the value of timber exports in 1967.

The total amount of copra exported in 1966 and 1967 was as follows:

| Destination | 1966 (tons) | 1967 (tons) |
|---|---|---|
| Europe | 13,369 | 15,637 |
| Australia | 4,609 | 3,511 |
| Japan | 3,913 | 5,241 |
| Total | 21,891 | 24,389 |

23. Throughout 1967, the Copra Board maintained the following purchase prices at the three main ports of Gizo, Yandina and Honiara: $A120 per ton for first grade; $A115 per ton for second grade, and $A106 per ton for third grade. The quality of copra offered for purchase by the Copra Board remained at the higher level

achieved in 1966. The percentages of copra by grade and by origin for the years 1966 and 1967 were as follows:

| Year | Solomon Islanders' copra | | | Plantation copra | | |
|---|---|---|---|---|---|---|
| | First grade | Second grade | Third grade | First grade | Second grade | Third grade |
| 1966 | 37.7 | 15.6 | 46.7 | 77.3 | 16.4 | 6.3 |
| 1967 | 39.2 | 13.1 | 47.7 | 76.9 | 17.2 | 5.9 |

24. The amount of copra rejected in 1967 amounted to 5.3 per cent of all graded copra, compared with 5.9 per cent in 1966. Rejections were mainly on the basis of moisture content which must not exceed 6.5 per cent. Rejected copra is normally reconditioned and resubmitted for grading and very little production is lost through final rejections.

## Coconut research

25. Coconut research continued between Lever's Pacific Plantations Pty. Ltd. and the Department of Agriculture in the Russell Islands. On Lever's plantations the March 1967 cyclone seriously damaged one of the major experimental plantings which had been established for six years and was just beginning to give useful information on the effects of variety and plant density on early copra yields. None of the other trials, including a large replanting experiment which was also at a critical stage of development, was seriously affected.

## Cocoa industry

26. Production of cocoa during 1967 amounted to 59.8 tons, compared with 95.5 tons in 1966. Of this production, Malaita produced 28 tons, the Western District, 22.7 tons and the Central District, 9.1 tons. Exports of cocoa for the year totalled 63.2 tons, compared with 76.9 tons in 1966; destinations of exports were as follows: United Kingdom and Europe, 46.1 tons; Japan, 16.7 tons; and Australia, 0.4 tons.

27. The administering Power reports that the policy of encouraging farmers to improve standards of husbandry on existing plantings rather than to make new plantings was continued during 1967. The problem of poor yields remained, and this situation was aggravated during the year by weather conditions, particularly on Malaita. The Department of Agriculture continued to process the cocoa produced by farmers in Malaita, although the policy is to transfer this responsibility to producers as soon as possible. In the Western District, processing is already in the hands of co-operatives and in 1967, eleven cocoa processing societies were active, each with its own fermentary and drying equipment.

28. At the Cocoa Research Stations at Dala, in Malaita, recording continued on existing spacing, processing, variety and the newly established progeny trials. Land was prepared during the year for further trials to test combinations of shading, spacing and fertilizers, and Amelonado rootstocks were established to receive imported hardwood of the parents of hybrids which have been successful in other countries. Nevertheless, until further investigations have resulted in the

production of high and economic yields under local conditions, it is unlikely that cocoa can become a major export crop.

Rice

29. Experiments with wet rice, dry rice and soya beans continued at the experimental area at Ilu. The rice variety, which was bred by the International Rice Research Institute in the Philippines and introduced during 1966, proved eminently suited to conditions on the Guadalcanal Plains. This variety was grown under good and adverse conditions, under irrigation and without irrigation. Yields of padi varied from one ton to five tons per acre and gave an over-all increase of 50 per cent in yield when compared with previous standard varieties. Sorghum, maize and barley varieties were planted in observation plots. In 1968, soya bean cultivation was temporarily abandoned.

30. In 1967, 335 acres of commercially grown rice were harvetsed on the Guadalcanal Plains, producing 203 tons of padi, compared with 400 tons in 1966, and a further 2,000 acres of this area were brought into cultivation. During 1968, a total of 4,500 acres of rice were sown in the Territory and 6,700 tons of padi harvested. The 1968 acreage produced 2,000 tons of processed rice. The 1969 production was reportedly expected to exceed 4,000 tons of processed rice, from planned plantings of 4,500 acres, fully meeting the Territory's need of 3,000 tons and providing a surplus for export.

31. Guadalcanal Plains, Ltd., the company which harvested rice commercially for the first time (in 1968) in the Territory, has reportedly begun exporting rice and sorghum to two overseas markets and has received inquiries from nearly ten other countries interested in buying Solomon Islands rice.

Other crops

32. Food and other crops received only limited attention in line with the administration's policy to concentrate attention on the major cash crops. Near the larger centres of population, particularly Honiara, intensive efforts were directed towards expanded production of staple root crops and of vegetable crops which have become cash crops. Assistance was given to farmers in most districts in the growing of tobacco and peanuts, both of which have a ready sale in local markets. Peanuts are increasingly popular, particularly in the Central District. Selected groups of farmers in Malaita and the Central District are being encouraged to establish small commercial acreages of chillies, as these appear to have promise as a minor export crop.

33. During 1967, funds were made available for the expansion of the Dala Agricultural Station to include, in addition to cocoa research, investigations into subsistence crops and minor cash crops.

Oil palm experiments

34. According to reports, a decision would be made by 1969 whether a large oil palm scheme was an economic proposition in the Territory.

Livestock

35. In 1967, the total cattle population was 9,000, compared with 7,500 in 1966. No imports were made in 1967 under the terms of the Department of Agriculture's cattle freight subsidy scheme. Arrangements were being made, however, for a shipment of 402 cattle from Australia in the first half of 1968.

36. There are three small herds of cattle on farms run by the Department of Agriculture which are used for demonstration purposes and from which surplus stock is made available for purchase by farmers. During 1967, 266 pigs, 33 cattle, 2 goats, 235 fowls and 126 ducks were sold from the centres of distribution at Barakoma, Asai and Kukum.

37. With assistance from the Australian South Pacific Technical Assistance Programme a veterinary officer joined the staff of the Department of Agriculture at the beginning of 1967. His immediate concerns were the establishment of the disease status of local livestock, tuberculosis and brucellosis testing, extensive advice to farmers in the handling and management of livestock, veterinary surgery and advice on the animal husbandry policy to be followed.

## G. MARINE PRODUCTS

38. In 1967, due to organizational and refrigeration difficulties, only 17,500 pounds of fish (compared with 59,000 in 1966) were landed at the Honiara Fish Market for sale to the public. The fisheries section of the department has been allowed largely to run down. The fisheries vessel, however, continued to be used for extension work among local fishermen and for mother ship activities. During 1967, 12,900 pounds of fish were caught from the vessel and freighted to market on behalf of local fishing companies. The overseas company which began operations in 1966 for the purchase and export of crayfish ceased operations after a few months, principally because of the difficulties in obtaining sufficient quantities of crayfish.

39. The locally established bêche-de-mer factory went into production in 1967. This industry was declared protected under the provisions of the Protected Industries Ordinance.

40. Troches, green snail and pearl shell continued to be exported in small quantities. Plans were announced for the cultivation and export of gold lip pearl on a commercial basis.

## H. FORESTRY

41. The administering Power reports that no further land was acquired for permanent production during 1967 and that forest land in government ownership remained at about 300 square miles, of which approximately 225 square miles was land likely to prove productive and available on a permanent basis. Agreement in principle was reached for the transfer of some 150 square miles of privately held land on Kolombangara and Shortland Island to the Government, and it was

envisaged that much of this would be incorporated in the forest estate. It was not possible to pursue negotiations for acquisition of native customary land on Shortland Island during 1967, but negotiations were under way at Vanikoro for the acquisition of native customary land on Kolombangara.

42. According to reports, the total forest land area of 1,525 square miles contains 345 million cubic feet of merchantable timber of which 165 million cubic feet are being worked or committed to exploitation. If the territorial Government's policy remains unchanged, by 1972 timber production should be 10 million cubic feet; conservation practices are aimed at maintaining this optimum production annually. This policy was explained by the Territory's Forest Conservator who reportedly said: "Our aim is in advance of the central concept of sustained yield. We envisage enhanced productivity by planting trees on unused land. Timber can be our most important crop. It was further contained in the Forestry Draft White Paper which the Conservator introduced in the Territory's Legislative Council at the end of 1968. The White Paper proposed the establishment of Forest Areas wherein supplies of trees would be preserved for the next thirty-five years or until newly planted trees had grown big enough to be felled.

43. The proposal made by the Foresty Draft hite Paper was strongly opposed by Melanesian members of the Legislative Council who saw it as an infringement on rights of ownership. Following a debate, a solution was reached whereby all forest areas would be cancelled as soon as alternative control over imported timber resources could be enforced, through licencing the felling of trees and timber-cutting operations to ensure control over their number and distribution, and through government purchase or lease of forest lands.

44. Although the Forestry Department operated under considerable staffing difficulties during the period under review, timber research and experimentation were actively continued. Seventy species of trees (forty introduced and thirty indigenous) are reportedly being studied.

45. A major uncertainty at present concerns the type of forest production that would be most appropriate and advantageous for the country. Since the production would be predominantly for export, the problem is related to timber trade and market trends throughout the Asia-Pacific region and possibly beyond. Expert advice was sought from the Food and Agriculture Organization (FAO) following a visit in 1967 from the Regional Forestry Officer of FAO's Asia-Pacific Forestry Commission; and approval in principle was given for assistance under the United Nations Development Programme (UNDP).

46. The timber industry has expanded considerably as a result of progress in roadwork and long-term extraction planning. There is a lack of technically skilled local workers and in 1967, over 100 expatriate staff were working in this industry. Timber exports, mostly in log form, and predominantly to Japan, rose to over 2.8 million cubic feet (true measure) in 1967, compared with 1.15 million cubic feet in 1966. In addition, approximately 170,000 cubic feet of sawn timber was produced by local industry in 1967, compared with 180,517 cubic feet in 1966. Only very small amounts of sawn timber were imported or exported in 1967 but, according to the administering Power there appeared to be good prospects for increased use of sawn timber in preference to imported materials in the Territory. Despite marketing difficulties in 1968, timber production

in November of that year was reported to be ahead of target by half a million cubic feet and it was expected to reach 4.5 million cubic feet by the end of the year. Target production for 1969 is six million cubic feet.

47. Timber statistics for the years 1966 and 1967 were as follows:

| | 1966 | 1967 | 1967 |
|---|---|---|---|
| | (Cubic feet, true measure) | | (Australian dollars) |
| **Exports** | | | |
| Log shipments: | | | |
| Softwood | - | - | - |
| Hardwood | 1,143,453 | 2,819,087 | 1,127,635 |
| Total | 1,143,453 | 2,819,087 | 1,127,635 |
| Sawn timber (all hardwood) | 3,244 | 3,169 | 5,510 |
| **Imports** | | | |
| Sawn timber: | | | |
| Softwood | 2,849 | 1,600 | 5,250 |
| Hardwood | 1,082 | 170 | 750 |
| Total | 3,931 | 1,770 | 6,000 |
| **Local production** | | | |
| Sawn timber: (all hardwood) | 180,517 | 170,000 | 300,000 |
| **Local consumption** | | | |
| Sawn timber (softwood and hardwood) | 181,304 | 179,000 | 300,000 |

Reflecting the increase in production and export, direct timber revenue collected in 1967 was more than double the record 1966 figure and was as follows:

> timber royalty, $A15,354; export duty on timber, $A71,136 making a total of $A86,490.

The administering Power reports that these figures are of revenue entered in the 1967 accounts. Direct timber revenue which would, in fact, be derived from the year's productions and exports amounted to $A93,295.

Total figures of direct timber revenue and of expenditure for the years 1963-1967 are as follows:

| | 1963 Actual | 1964 Actual | 1965 Actual | 1966 Actual | 1967 Estimated |
|---|---|---|---|---|---|
| Revenue | 13,968 | 35,794 | 20,500 | 35,239 | 75,000 |
| Expenditure | 117,378 | 85,942 | 102,945 | 117,804 | 149,373 |

48. During the period under review, prices remained appreciably lower than those for logs from the major supply areas of the Philippines and Borneo, and the effects of short-term gluts on the Japanese market tended to be felt first and most severely in the Solomons-New Guinea region. Timber companies are therefore actively seeking to widen market outlets. As one means to this end, possibilities of saw millings or other forms of local manufacture are being investigated. The administering Power reports that an Australian company was offered timber-cutting rights on Vangunu at the end of 1967 and that another company had firm plans to establish a large scale saw mill during 1968.

49. Lever's Pacific Timber, Ltd., which is associated with the United Africa Company (Timba), Ltd. and with Unilever, transferred its headquarters from Gizo Island to Kolombagara where it has built a community of housing and other accommodations for 300 personnel. The company has a twenty-year supply of trees on Kolombagara where production started in June 1968, at the rate of 2,000 hardwood logs a month. The company is reportedly employing Ghanians, who will return to Africa after training Solomon Islanders as counterparts.

50. According to reports, present interest in the timber industry is such that four major logging and ten sawmilling companies are vigorously engaged in forestry operations, with exports going mainly to Japan and in part to Australia. The largest logging company is Lever's Pacific Timber followed by the Kalena Timber Company, at Viru Habour, New Georgia. The company was established in 1967 and is reportedly a branch of a Philippines company owned by United States interests. The two other logging companies are the Allardyce Lumber Company, an Australian company established on Santa Isabel Island in 1965, and the Shortlands Development Company which was established on Shortlands Island in 1966. Saw milling companies include two privately owned companies, B.S.I. Timbers, Tenaru, in Guadalcanal and Mounga Saw Mill, in Kolombagara. Other saw mills are a catholic mission company and a South Seas Evangelical mission company, both located on Malaita Island, and a Seventh-day Adventist mission on Vangunu. According to reports, there are also five small mobile mills in the Territory.

## I. MINING

51. There was no large scale mining during 1967 although gold mining on a small scale was carried out by Solomon Islanders using the panning technique. Gold buying is controlled by licence and the only exporting agencies are run by the two local banks. All alluvial gold metal is assayed in Australia and assays at 81 per cent to 90 per cent gold. Gold production totalled 672 ounces in 1967, compared with 349 ounces in 1966.

52. The Mining Board issued thirty-nine prospector's rights in 1967. Two mining companies were granted prospecting licences (for precious metals and minerals), one on a 105,920 acre area in Malaita and the other on a 782,000 acre area in San Cristobal.

53. In November 1967, International Southern Exploration, Ltd. was granted an interim permit to mine for nickel and associated mineral near Suma, in

Santo Isobel, for a period of one year. Prospecting there had been under way in that area for ten years.

## J. LABOUR

### General

54. During 1967 the number of persons employed in agriculture, forestry and logging increased for the first time since 1962 when it started to show a small annual decrease. The employment position for the years 1966 and 1967 was as follows:

| | 1966 | 1967 |
|---|---|---|
| Agriculture | 2,188 | 2,281 |
| Forestry | 298 | 550 |
| Government | 3,552 | 3,565 |
| Local government | 297 | 244 |
| All other employment | 5,351 | 5,450 |
| | 11,686 | 12,090 |

55. The administering Power reports that owing to the continued acute shortage of skilled workers in the Territory, the number of immigrant workers was 950 at the end of June 1967, compared with 785 in 1966. The 1967 figure includes 197 expatriate women not previously enumerated. In the same year, 428 Solomon Island women were recorded as being in paid employment.

### Wages and conditions of employment

56. Apart from unskilled labourers and government classified workers who are paid at a daily rate, wages are generally paid at the end of each month. A few employers pay fortnightly. The basic wage for a newly engaged unskilled government employee remained at $A19.50 a month during 1967, while artisans earned between $A22.36 and $A52.00 a month. These rates were reported to correspond closely to wages in the private sector of the economy.

57. The administering Power reports that conditions of employment continued to improve, although the Labour Department inspection programme discovered that there was some overcrowding of accommodations both in the urban areas and on plantations. The Labour (Housing Standards) Rules were under active review in 1967.

58. In January 1969, it was reported that work was almost completed on the Territory's first comprehensive, prefabricated housing estate, comprising seventy-eight houses for local government employee families.

### Industrial relations

59. The administering Power reports that the Labour Department encouraged greater use of joint consultations, which assumed growing importance in the

absence of trade union representation of workers' interests. There were thirteen Joint Consultative Committees in 1967, compared with seven in 1966.

Labour administration

60. A Limited Employment Exchange Service was operated in 1967: 371 persons were placed in employment through the office in Honiara (compared with 418 in 1966) and 53 persons were placed in employment through the office in Auki.

## K. CO-OPERATIVE SOCIETIES

61. The number of active primary producer societies increased from 89 to 92. Ten potential societies were under survey to assess their possible viability. The total number of primary societies in operation at the end of 1967 was 104 classified as follows: multipurpose, 69; producer, 9; consumer, 11; fishing, 3; and savings and loan 12.

62. The administering Power reports that during 1967, efforts were made to improve and strengthen the existing societies rather than on establishing many new ones.

63. Net surplus in primary societies dropped by 36 per cent from $A54,039 to $A34,764 and surplus available for distribution dropped by 19 per cent from $A39,203 to $A30,880 during the year. Trading losses totalled $A5,994 in twenty-one societies with a total membership of 1670. Investment societies of all types rose by 14 per cent to $A182,403 of which $A122,465 was utilized in primary societies and $A59,938 in secondary societies.

APPENDIX VI

FIJI

CONTENTS

## INTRODUCTION

1. Basic information concerning economic conditions in Fiji with particular reference to foreign economic interests was included in the working paper prepared by the Secretariat in 1967 for Sub-Committee I of the Special Committee. a/ Supplementary information was set out in the report of Sub-Committee I contained in A/7320/Add.1. Further information on recent developments is set out below.

## A. LAND AND PEOPLE

2. At the end of 1968, the estimated population of Fiji was 512,062 compared with 502,956 at the end of 1967. The composition of the population for these two years was reported to be as follows:

| Race | 1967 | 1968 |
|---|---|---|
| Fijian | 208,468 | 214,948 |
| Indian | 250,513 | 256,152 |
| European | 13,499 | 12,284 |
| Part-European | 10,414 | 10,128 |
| Chinese | 5,716 | 5,388 |
| Other Pacific races | 14,346 | 13,162 |
| | 502,956 | 512,062 |

3. The birth-rate in Fiji was reported to have dropped to 29.79 per thousand in 1968. This was below the target of thirty per thousand which the Family Planning Association and the Medical Department had set for 1970. Despite the falling birth-rate, the population continued to increase and was expected to double by the end of the century.

## B. GENERAL ECONOMIC SITUATION

4. The economy of Fiji is predominantly agricultural and heavily dependent on foreign trade. There are four main industries: sugar, copra, gold-mining and tourism. During 1967, world sugar prices fluctuated from £12.5s.0d. per ton in January to £32 at the time of the Middle East crisis in June. As the prospect of war and of a stoppage of sugar supplies receded, the world price of sugar fluctuated between £16 and £22. Immediately prior to the currency devaluation in the United Kingdom of Great Britain and Northern Ireland, the world sugar price reached £22.10s.0d. per ton. Following devaluation, the London daily price has more or less been maintained at £25 per ton.

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a/ _Official Records of the General Assembly, Twenty-second Session, Annexes_, agenda item 24 (A/6868/Add.1), appendix IV.

5. In 1967, Fiji again disposed of 140,000 tons of sugar under the Commonwealth Sugar Agreement at £47.10s.0d. Total exports of sugar in 1967 amounted to 318,142 tons, valued at £F11,559,058. b/ In 1967, sugar exports amounted to 55.7 per cent of the total exports of the Territory.

6. There was a steady rise in the price of copra which, with the advantage of devaluation, reached £F88 per ton for first-grade copra at the end of 1967. Production, however, continued to decrease; 24,441 tons were produced in 1967, compared with 25,335 tons in 1966.

7. Gold again ranked as the second most important export in 1967 (see para. 37 below).

8. The increasing tourist trade, according to the administering Power, has been an undoubted factor in helping to offset the unfavourable trend in exports. A total of 56,021 people visited Fiji in 1967 for twenty-four hours or longer and spent approximately £F7 million, a record figure. It is reported that in 1968, 66,458 people visited the Territory and spent a total of £F17.7 million. According to figures issued by the local Bureau of Statistics, Australians accounted for 32 per cent of the tourists; United States citizens 25 per cent; New Zealanders, 19 per cent; Pacific Islanders, 9 per cent; and others, 15 per cent. A significant increase in the total number of passengers in cruise ships was also recorded: 31,554.

9. It was calculated that by the end of 1968 there would be 1,541 hotel rooms in Fiji (648 of them in Suva, the capital) and that the annual demand would be for 1,348 rooms. This has led to a controversy in the Territory about the need for further hotel development.

10. Another controversy relating to the tourist industry has developed as a result of the 10 per cent increase in landing charges that was to go into effect at Fiji's international airport at Nadi in February 1969. The increase would reportedly make the airport one of the three most expensive in the world for airline operators and the International Air Transport Association warned that the airlines might consider over-flying Fiji.

11. The administering Power reported that, economically, 1967 was a better year than 1966 despite the fact that proceeds from the 1966 sugar crop were low as a result of poor growing conditions and very low world sugar prices. The other principal agricultural exports also fared poorly, the high prices for copra at the close of the year being offset by low production. The revised estimate for revenue in 1967 was £F14,151,614 compared with £F12,503,590 for 1966. The revised estimate for expenditure in 1967 was £F14,584,860 compared with £F12,584,805 for 1966.

12. Domestic exports and re-exports for 1967 were provisionally valued at £F16,805,126 and £F3,872,517 respectively compared with £F16,126,984 and £F3,330,019 respectively for 1966. Total imports for 1967 were provisionally valued at £F28,145,389 compared with £F25,272,382 for 1966.

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b/ Fiji adopted a decimal currency in January 1969. For an explanation of past and present Fijian currency equivalents, see para. 25 below.

Funds for development

13. The public debt for the financial year ending 31 December 1967 was £F14,327,060, comprising £F2,420,365 in loans raised overseas and £F11,906,695 in loans raised locally. The comparable total sum on 31 December 1968 was $F32,173,820.

14. It was reported that the large number of relatively small loans made by the Fiji Agricultural and Industrial Loans Board and its replacement, the Fiji Development Bank, in support of the Government's agricultural development programme, were primarily responsible for a net deficit of $F23,754 during the bank's first working year. The liabilities and assets of the Agricultural and Industrial Loans Board were assumed by the Fiji Development Bank on 1 July 1967. Legislation gave the bank almost unlimited powers to assist the promotion of natural resources, transportation and other industries in Fiji. During the year ending 30 June 1968, the bank lent a total of $F510,758 to finance a variety of enterprises in the industrial field. A further $F230,218 was spent on loans for agricultural development.

15. In the bank's report for the year ending 30 June 1968 the deficit was attributed primarily to the agricultural loans, which required an extensive and highly supervised credit service. Associated expenses were substantially in excess of the interest which the bank could expect to derive from such loans. The situation was further aggravated by the inability of many newly settled farmers to meet more than a portion of the interest payments which became due while their projects were still in the early stages of development.

16. The report stated that the operating deficit was offset to some extent by more profitable activities in support of industrial development. Loans to finance industry were at a considerably higher average level than those required by the agricultural community, and the associated costs of administration were considerably lower.

17. In his 1969 budget speech to the Legislative Council in November 1968, Mr. H.P. Ritchie, Minister of Finance, stated that Fiji was planning to finance a record expenditure in 1969 without additional taxation. Capital expenditure on development projects was estimated at $F9,899,973. The present state of the economy and future prospects were considered to be more favourable than they had been for some time. Agriculture had benefitted from favourable weather conditions. Employment and business activity continued to expand and the rate of new private investment had been well maintained. He announced that it was proposed to amend the income tax laws to give additional incentives for the establishment of new industries. He informed the Council that preliminary work had begun on a new development plan for 1971 to 1975 to be presented some time in 1970.

18. He also expressed the hope that it would be possible in 1970, as a result of borrowing from Nauru and other sources, to substantially reduce the deficit. The Nauruan Government had recommended to the trustees of its funds, that a loan of $A2,250,000 be granted to the Fijian Government in 1970. If the trustees agreed, this would considerably assist the financing of the development plan.

19. Following the visit to Fiji of an economic commission from the International Bank for Reconstruction and Development (IBRD), the Minister expected a loan from the World Bank to help construct a $F12 million road between Suva, the capital, and the international airport at Nadi.

20. At its meeting in February 1969, the Council of Chiefs adopted a report recommending the establishment of the Fijian Investment and Development Corporation, Ltd., with an authorized capital of $F2 million. The primary object of the corporation would be to promote Fijian participation in all fields of economic activity. Among the methods suggested for financing the corporation were share participation by the Fijian public and by the Fijian Affairs Board, share investment or loan finance from the Fijian Development Fund Board and government assistance. The corporation's authorized share capital of $F2 million was envisaged as being divided into 2 million shares at $F1.00 each. It was suggested that no projects be initiated until $F500,000 of paid-up capital was available.

## C. PUBLIC FINANCE AND TAXATION

### General

21. The main heads of revenue between 1967 and 1969 were as follows:

| | (Fijian dollars) | | |
|---|---|---|---|
| | 1967 (actual) | 1968 (revised estimate) | 1969 (estimate) |
| Customs | 12,764,281 | 13,940,000 | 14,608,000 |
| Port and harbour dues, etc. | 437,933 | 481,000 | 536,000 |
| Licences, taxes and internal revenue not otherwise classified | 8,850,645 | 9,480,250 | 9,945,110 |
| Fees, royalties, sales and reimbursements | 2,588,116 | 2,449,022 | 2,210,856 |
| Post office | 1,812,913 | 2,130,000 | 2,396,700 |
| Rent of government property | 406,259 | 430,000 | 450,000 |
| Interest | 451,128 | 477,000 | 480,000 |
| Miscellaneous | 1,054,820 | 1,074,620 | 1,088,520 |
| Total revenue | 28,366,095 | 30,461,892 | 31,715,186 |

22. Following is a comparative statement of estimated recurrent expenditure for the years 1968 and 1969.

| | (Fijian dollars) | |
|---|---|---|
| | 1968 (approved estimate) | 1969 (estimate) |
| Personal emoluments | 11,317,916 | 12,354,096[a] |
| Public debt charges | 2,528,280 | 2,798,396 |
| Pensions | 1,189,214 | 1,238,014 |
| Defence | 284,990 | 314,000 |
| Works annually recurrent | 3,454,200 | 3,801,810 |
| Contribution to capital budget revenue | 1,000,000 | 1,100,000 |
| Other subheads | 9,814,482[b] | 10,529,139 |
| Total | 29,589,082 | 32,135,455 |

a/ Excluding defence personal emoluments included in the figure for defence.

b/ Figure includes $F500,000 for extraordinary expenditure (Development Bank).

23. During the 1969 budget debate in the Legislative Council in November 1968, the Minister of Finance estimated that recurrent revenue would be $F31.7 million, or about $F3 million more than in 1968, while expenditure would be $F32.1 million. This would leave a deficit of about $F400,000.

24. The principal sources of tax revenue between 1965 and 1967 were as follows:

| | (Fijian pounds) | | |
|---|---|---|---|
| | 1965 | 1966 | 1967 (revised estimates) |
| Customs duties, including import duties, port and customs service tax, wharfage, light and tonnage dues | 6,024,021 | 5,438,984 | 6,717,200 |
| Income tax | 3,264,779 | 3,485,326 | 3,745,723 |
| Licences, etc. | 338,509 | 361,306 | 398,175 |
| Stamp duties | 74,665 | 78,765 | 80,000 |
| Death and gift duties | 113,133 | 112,374 | 154,774 |

## D. CURRENCY AND BANKING

25. Currency to the value of £F5,044,433.15s.10d. was in circulation in the Territory in 1967, compared with £F4,772,004.15s.10d. in 1966. On 27 November 1967, following the devaluation of the pound sterling, the Fijian pound was revalued to a rate of £1.045 Fijian to £1 sterling. The Fiji pound after devaluation equalled $US2.30. A new decimal currency was introduced on 13 January 1969. The new currency is the Fijian dollar. The equivalents between the old and new currencies are as follows: £F1 equals $F2.00 and 1s equals 10 cents.

26. A Decimal Currency Board was established as the supervisory body for the conversion to the new currency system. Government financial assistance was extended through the board to owners of certain monetary machines to assist in the conversion or replacement of the machines for use with the new currency. The board also arranged a public education programme to familiarize local residents with the requirements of the new system.

## E. COMMERCE

27. In its report for the year 1967 c/ the administering Power reported that both import and export values for Fiji were higher than those of the previous year. Total trade (imports plus exports) amounted to £F48.8 million in 1967, compared with £F44.7 million in the previous year and £F50.3 million in 1965. Thus, the adverse balance in Fiji's trade which stood at £F7,833,361 in 1965, improved to £F5,815,379 in 1966 and increased to £F7,467,746 in 1967.

28. The total value of domestic products exported in 1967 was £F16,805,126, compared with £F16,126,984 in 1966 and £F17,805,875 in 1965. Re-exports also rose in 1967 to £F3,872,517, compared with £F3,330,019 in 1966 and £F3,441,783 in 1965.

29. Imports, which had dropped substantially in 1966 increased in 1967 to £F28,145,389, compared with £F25,272,382 in 1966 and £F29,081,019 in 1965.

30. It was reported that the Bureau of Statistics had issued provisional trade figures for 1968 according to which the trade deficit had increased to £F9,974,000. Imports were a record £F34,195,000 (£F6.05 million more than in 1967); exports totalled £F24,221,000 (or an increase of £F2.89 million). Exports of domestic products were valued at £F19,285 million.

31. The Bureau of Statistics which issued these provisional figures reportedly pointed out that the adverse balance of trade of nearly £F10 million should be assessed in conjunction with the Territory's net balance in overseas funds which was in Fiji's favour although at a lower level than in 1967. This inflow of funds and the invisible earnings from the tourist trade suggested that the Territory's balance of payments for 1968 was considerably better than the adverse balance of trade implied.

### Direction of trade

32. Australia was the main source of imports into Fiji for the sixth successive year. Total imports from that country were valued at £F7,655,615 in 1967, compared

c/ Figures for 1967 are provisional.

with £F6,999,646 in 1966 and £F8,294,186 in 1965. Imports from the United Kingdom continued to decline: £F4,829,421 in 1967, compared with £F5,180,196 in 1966 and £F6,585,464 in 1965. Japan continued as Fiji's third most important source of imports, showing another increase over the previous year: £F4,315,733 in 1967, compared with £F3,613,575 in 1966 and £F3,593,748 in 1965.

33. The principal countries of origin of imports during the years 1965-1967 are shown in the following table:

(Fijian pounds)

| | 1965 | | 1966 | | 1967 a/ | |
|---|---|---|---|---|---|---|
| Country | Value | Percentage | Value | Percentage | Value | Percentage |
| Australia | 8,294,186 | 28.52 | 6,999,646 | 27.70 | 7,655,615 | 27.20 |
| United Kingdom | 6,585,464 | 22.64 | 5,180,196 | 20.50 | 4,829,421 | 17.16 |
| Japan | 3,593,748 | 12.35 | 3,613,575 | 14.30 | 4,315,733 | 15.33 |
| New Zealand | 2,281,215 | 7.84 | 1,987,573 | 7.83 | 2,215,737 | 7.87 |
| Iran | 1,440,720 | 4.95 | 488,521 | 1.93 | 662,803 | 1.64 |
| United States of America | 1,113,392 | 3.82 | 1,383,517 | 5.47 | 1,604,281 | 5.70 |
| India | 879,489 | 3.02 | 720,781 | 2.85 | 719,972 | 2.56 |
| Hong Kong | 780,891 | 2.68 | 819,686 | 3.24 | 1,068,343 | 3.80 |
| Canada | 671,188 | 2.30 | 420,931 | 1.66 | 537,264 | 1.90 |
| Malaysia and Singapore | 598,891 | 2.05 | 985,770 | 3.90 | 1,306,448 | 4.64 |
| Ceylon | 260,757 | 0.89 | 237,360 | 0.94 | 240,219 | 0.85 |
| France | 97,462 | 0.34 | 324,487 | 1.28 | 369,159 | 1.31 |
| Thailand | 440,421 | 1.51 | 250,318 | 0.99 | 142,149 | 0.51 |

a/ Provisional figures.

34. Fiji's main customer continued to be the United Kingdom which in 1967 purchased a total of £F8,573,984 worth of goods, a slight decrease compared with £F8,803,921 in 1966 and £F8,826,309 in 1965. The United States was once again second in importance as a buyer of Fiji's products, having purchased £F2,669,008 worth of goods compared with £F2,559,428 in 1966 and £F2,568,058 in 1965. Australia maintained its third position as an outlet for Fiji's exports: £F2,606,765 in 1967, compared with £F2,260,435 in 1966 and £F2,051,356 in 1965.

35. The principal countries to which Fiji exported its products during the years 1965-1967 are shown in the following table:

(Fijian pounds)

| Country | 1965 Value | 1965 Percentage | 1966 Value | 1966 Percentage | 1967[a] Value | 1967[a] Percentage |
|---|---|---|---|---|---|---|
| United Kingdom | 8,826,309 | 41.54 | 8,803,921 | 45.24 | 8,573,894 | 41.64 |
| United States of America | 2,568,058 | 12.08 | 2,559,428 | 13.15 | 2,669,008 | 12.90 |
| Australia | 2,051,356 | 9.65 | 2,260,435 | 11.61 | 2,606,765 | 12.60 |
| Canada | 1,849,675 | 8.70 | 1,208,996 | 6.21 | 1,228,247 | 5.94 |
| New Zealand | 1,347,943 | 6.34 | 654,303 | 3.36 | 1,102,504 | 5.33 |
| Japan | 542,486 | 2.55 | 326,977 | 1.68 | 868,855 | 4.20 |
| Germany (Federal Republic of) | 289,165 | 1.36 | 248,927 | 1.28 | 125,926 | 0.60 |
| Malaysia and Singapore | 285,422 | 1.34 | 279,187 | 1.43 | 128,888 | 0.62 |
| Tonga | 317,967 | 1.49 | 331,411 | 1.70 | 494,645 | 2.39 |
| Western Samoa | 295,367 | 1.39 | 248,671 | 1.27 | 294,586 | 1.42 |

a/ Provisional figures.

Exports

36. Exports of sugar during 1967 totalled 318,142 tons, compared with 238,904 tons in 1966 and 305,166 tons in 1965. Sugar exports in 1967 were valued at £F11,559,058, compared with £F10,873,904 in 1966 and £F12,492,083 in 1965. Total exports included 140,000 tons to the United Kingdom, 60,500 tons to Canada, 42,000 tons to Japan, 36,500 tons to the United States, 23,500 tons to New Zealand and 11,500 tons to Singapore. The average f.o.b. value, however, was £F37.7s.5d. per ton, compared with £F45.10s.4d. in 1966. A record quantity of sugar amounting to about 343,000 tons, was reportedly shipped from Fiji in 1968. Of this amount, 156,800 tons went to the United Kingdom; 70,800 tons to Canada; 38,200 tons to the United States; 23,600 tons to New Zealand; 25,100 tons to Malaysia; 18,700 tons to Japan; and 11,500 tons to Singapore.

37. Gold exports in 1967 totalled 112,698 fine ounces, compared with 109,732 ounces in 1966 and 112,060 ounces in 1965. The value realized was £F1,573,000 as against £F1,515,000 in 1966 and £F1,544,494 in 1965.

38. The export of coconut oil in 1967 continued to fall slightly: 14,160 tons against 14,469 tons in 1966 and 14,775 tons in 1965. There was also a slight decrease in value - £F1,426,224 in 1967, compared with £F1,439,807 in 1966. The bulk of the 1967 exports went to the United Kingdom (14,154 tons valued at £F1,426,224).

39. It is reported that the major exports during 1968 were 341,326 tons of sugar, valued at £F12,153,000; 17,165 tons of coconut oil, valued at £F2,385,000 and fish, valued at £F936,000.

Re-exports

40. Re-exports returned to a record level in 1967: £F3,872,517 compared with £F3,330,019 in 1966 and £F3,441,783 in 1965. It was reported that in 1968 they reached a new peak of £F4,936,000. The principal re-exports during the years 1965-1967 were as follows:-

| Commodity | 1965 | 1966 | 1967[a] |
|---|---|---|---|
| | (f.o.b. value in Fijian pounds) | | |
| Aviation turbine fuel | 1,441,492 | 1,085,657 | 1,254,416 |
| Textiles, yarns, fabrics, made-up articles and related products | 361,443 | 380,011 | 398,458 |
| Motor vehicles | 138,778 | 118,883 | 160,174 |
| Apparel | 121,413 | 105,640 | 116,082 |
| Metal manufactures | 105,366 | 75,038 | 78,618 |
| Aviation spirit | 72,572 | 64,652 | 80,272 |

a/ Provisional figures.

Imports

41. Imports in 1967 rose by 11.4 per cent to £F28.145 million. All groups of commodities shared this increase but there were variations between groups. Imports of food items, which amounted to £F6,325,000 or 22.5 per cent of the total, increased by £F483,000 over the previous year. Some significant individual items in the food group were sharps (a type of cereal) (£F818,000); rice (£F776,000); flour (£F480,000); canned fish (£F433,000); milk and cream (£F272,000); and tea (£F264,000).

42. To encourage industry, machinery for industrial and agricultural purposes is permitted to enter the Territory duty free from preference sources and at a low rate from other sources. Materials for use in an approved industry can also be imported at concessional rates, while certain materials required for packing goods produced by local industries receive similar treatment.

43. In this connexion, the import of machinery and transport equipment which comprises a large portion of capital goods, increased by £F1,078,000 or 21.6 per cent over the previous year. Manufactured goods also rose from £F4,933,000 to £F5,547,000. This included a wide range of consumer goods, capital equipment and industrial materials.

44. The total value of duty-free goods imported in 1967 was £F2,003,500, compared with £F1,506,000 in the previous year. There was thus an increase of 33 per cent which is significantly more than the general increase of 11.4 per cent in the total imports. A large proportion of the "duty free" imports were obviously

sold to tourists and thus became "invisible" exports, or more correctly, re-exports. There were also other items which were not included in the duty-free list but which tourists normally purchase and consume. These items increased imports but nevertheless provided a significant source of overseas funds. The administering Power reported that such earnings were taken into account in the balance of payments which it considered a more valid economic indicator than the balance of trade in assessing Fiji's position with the rest of the world.

Terms of trade

45. The indices of unit values for both imports and exports and the resulting terms of trade for the year 1967 are as follows:

| Import unit value | Export unit value | Terms of trade |
|---|---|---|
| (Base 1960 = 100) | | $\left(\frac{\text{Export}}{\text{Import}} \times 100\right)$ |
| 105.7 | 94.7 | 89.6 |

## F. AGRICULTURE

General

46. In 1967, sugar and copra maintained their positions as the two most important crops in the Territory. Yields from both were adversely affected by the abnormally dry weather experienced in the main areas under cultivation. In April of that year a near hurricane did little damage to either of these crops although it did cause severe banana losses and a reduction in rice yield.

47. In 1968, however, agriculture was reported to have benefited from favourable weather conditions. In his budget statement to the Legislative Council in November 1968, the Minister for Finance said that a record sugar harvest was expected and that the free market price for sugar had been strengthened as a result of the negotiation of a new International Sugar Agreement; sales of coconut products had benefited both from increased production and from the exceptional conditions which prevailed in the world market for oils early in the year; and sales of bananas in the first nine months of 1968 were about three times greater than in the same period of the previous year.

48. The formation of the Fiji Co-operative Wholesale Union, Ltd. with a nominal share capital of $F2 million was approved by a conference of delegates representing almost 200 consumer co-operatives meeting in Suva in January 1969. A board of twelve governors was elected and another six members of the board were to be nominated by the Registrar of Co-operatives. The primary objective of the Co-operative Wholesale Union is wholesale indenting and bulk purchasing from local producers for the supply of co-operative stores throughout the Territory. The union will also buy from producer co-operatives (e.g. copra, root crops and handicrafts) for wholesaling at local and export levels.

49. At the first meeting of the directors of the Wholesale Union, a three-man committee was appointed to determine, through a survey, which products the co-operatives wished to have marketed by the union on a wholesale basis.

50. The turnover of consumer co-operatives in Fiji in 1967 was reported to have been about £F1.5 million.

Sugar industry

51. In March 1966, the Sugar Board approved national harvest quotas for the 1967 season of 2,970,000 tons of cane and 385,000 tons of sugar. The administering Power reported that in April 1967 the independent chairman of the Fiji sugar industry approved the purchase and use by millers during the 1967 season of all cane grown by contract holders. This approval was given when latest crop estimates showed that the tonnage of cane for harvest would be considerably less than the approved national harvest quota, because of prolonged periods of dry weather. For the 1968 season the Sugar Board approved a national harvest quota of 385,000 tons of sugar.

52. The production of sugar in 1967 was about 291,000 tons, compared with 303,000 tons in 1966. It was reported that the total amount of cane crushed during 1968 season, which normally runs from April to December, was 2,826,136 tons - the highest figure ever obtained by the Fiji sugar industry - compared with 2,162,625 tons the previous year. Sugar production according to the new Governor, Sir Robert Foster, in his first statement to the Legislative Council in April 1969, was 393,593 tons in 1968.

53. The administering Power reports that in 1967 strenuous efforts were made to revive the International Sugar Agreement and its non-concomitant quota provisions which were suspended in 1962. It was considered that a new agreement could do much to stabilize world sugar prices which, in 1967, were generally below the cost of production. Such a conference was convened in Geneva in April 1968 under the auspices of the United Nations Conference on Trade and Development (UNCTAD). The International Sugar Agreement the text of which was adopted by the Conference on 24 October 1968 (see TD/SUGAR.7/10) established an International Sugar Organization to administer the provisions of the Agreement and to supervise its operations. The organization, which is to have headquarters in London, is the successor of the International Sugar Council which operated under the International Sugar Agreement of 1958.

54. One of the delegates to the Sugar Conference was the Chief Minister of Fiji, Ratu K.K.T. Mara.

55. According to article 40 of the Agreement, Fiji is to have a basic export quota of 155,000 tons during the first three years of the Agreement According to article 35, however, exports to the United Kingdom under the Commonwealth Sugar Agreement of 1951, up to the amount of the Negotiated Price Quotas in effect under that Agreement, should not be charged against basic export quotas; nor, according to article 38, should exports of sugar to the United States for consumption therein be charged against this quota.

56. The new sugar Agreement entered provisionally into force on 1 January 1969 in accordance with paragraph 2 of article 63 of the Agreement. It is reported that the independent chairman of the Fiji Sugar Industry, in his 1968 report, expressed the hope that the new International Sugar Agreement would end the "distressing series" of price fluctuations on world markets. These fluctutations have resulted, at one stage, in a London price well below half the cost of production in any country in the world. Although the Agreement restricts Fiji's

sugar production to below its capacity in good weather, future financial returns should be greater. The report stated that the world market price would be maintained at a high enough level to ensure that the world sugar industry would avoid depressions. Previous low prices had been caused almost entirely by a glut of free market sugar. In a year when quotas equal basic export tonnages, Fiji's permitted production would be about 339,000 tons, including local sales, Negotiated Price Quotas with the United Kingdom and the United States quota.

57. It was reported that the conditions under which Fiji sold sugar under the Commonwealth Sugar Agreement would be maintained until 1977, subject to a provision concerning the United Kingdom's application to join the European Economic Community. In making this announcement in December 1968 the managing director of South Pacific Sugar Mills, Ltd. stated that Fiji's Negotiated Price Quota of 140,000 tons would be maintained and that there would be no change in it during the next three years. The basic price in 1968 was £43.10s. a ton, plus a special supplement of between £1.10s. and £4, depending on the level of the world price.

58. As was reported last year, discussions to negotiate a new sugar contract between the sugar millers and the growers in Fiji had begun. The present contract expires on 31 March 1970, and under the terms of the Sugar Industry Ordinance of 1961, the question of a new contract must be raised in the Advisory Council two years before the expiration of the current contract. The contract concerns the payment for sugar cane sold to the millers by the 15,000 or more individual cane growers. The price paid in 1967 was reported to be 63.95 shillings per ton. The final price paid for the 1968 season is not yet available.

59. The independent chairman of the Sugar Advisory Council reportedly convened a meeting of the Council on 20 February 1968 in accordance with the Sugar Industry Ordinance to begin negotiations for a new sugar contract. Subsequent meetings were held in October and December of 1968. It was also reported that several draft contracts or suggested terms for the new contract had been put forward by members of the Council. Apparently the proposed terms had already led to sharp clashes between the sugar growers and members of the Sugar Industry Board.

60. At June 1968, the Sugar Industry Board was composed of Justice C.C. Marsack, independent chairman; Mr. A.J.N. Deoki, independent vice-chairman; Mr. J.D. Rodger, independent accountant; and Mr. R.A.C. Sulsh, secretary to the board, who is also secretary to the Sugar Advisory Council. At the same date, the Sugar Advisory Council consisted of the members of the Sugar Industry Board - Justice Marsack, Mr. Deoki and Mr. Rodger - and the following:

Government representatives: Mr. R.C.G. Strick, Secretary Natural Resources, Mr. K.J. Garnett, Director of Agriculture.

Representatives of the South Pacific Sugar Mills, Ltd.: Mr. A.S. Hermes, Mr. B.J. Robertson, Mr. J.M. Aitken, Mr. G.M.R. Day and Mr. L.P. Maharaj.

Growers' representatives: Swami Rudrananda, Mr. Y.S. Maniyam, Mr. Tomasi Vunasina, Mr. G.R. Bhola and Mr. Silas Raniyam.

Millworkers' representatives: Mr. J.J. Pickering, Mr. Ram Dayal and Mr. Deo Narayan.

South Pacific Sugar Mills, Ltd.

61. The South Pacific Sugar Mills, Ltd., a subsidiary of the Colonial Sugar Refining Co., Ltd. (C.S.R. Co.) of Australia, stated in its report for the year ending 31 March 1968 that it had an authorized capital of £F20 million in 80 million shares of 5 shillings each. The company's profit continued to decrease for the period under review to £F644,612, compared with £F745,459 for the previous year. The dividend proposed by the directors of the company would be the same as the previous year (£F93,750) but £F150,000 would be transferred to reserves, compared with £F50,000 in the previous year, leaving £F643,284 as the unappropriate profit to be carried forward to the next year (compared with £F771,431 in 1967).

62. At June 1968, the directorate of the South Pacific Sugar Mills, Ltd. was as follows: Messrs. J.C. Potts, general manager, Fiji Division of C.S.R. Co. (Sydney), chairman; A.S. Hermes, managing director and chief manager in Fiji of C.S.R. Co. (Sydney); G.M.R. Day, manager, Suva; J.M. Aitken, manager, Lautoka; G.F. Adams, manager, Rarawai; K.P. Mishra, solicitor, Ba; and the Hon. R.G.Q. Kermode, solicitor, Lautoka. South Pacific Sugar Mills, Ltd. operates four mills in Fiji, at Rarawai, Labasa, Lautoka and Penang. The mill operated by Rewa Rice, Ltd. is also a subsidiary of the Colonial Sugar Refining Company, Ltd.

63. It was reported on 10 January 1969 that the Colonial Sugar Refining Company was giving six months' notice to the Government of Fiji and the Native Land Trust Board of its intention to surrender its lease to almost 20,000 acres of Fijian and Crown land on Viti Levu and Vanua Levu. On completion of this transaction, the Native Land Trust Board would administer the land, dealing directly with some 3,000 tenants. The company is reported to have stated that it had fulfilled its role as the original developer of the land and considered that continued occupation of the land clashed with the Agricultural Landlord and Tenant Ordinance.

Coconut products

64. Production of copra declined in 1967 (see also para. 6 above). In his first speech to the Legislative Council, however, the new Governor of Fiji announced in April 1969 that copra production in 1968 had improved slightly to yield 27,970 tons.

65. Copra grading was introduced in 1966. The average price for first-grade copra paid in 1967 was £F59.15s.0d. compared with £F55.4s.0d. in 1966. The proportion of first-grade copra increased substantially through 1967, with reductions in both second and third grades. The proportion of first-grade copra to total production increased from an average of 45 per cent in 1966 to 67 per cent for 1967, while second-grade copra declined from 38 to 29 per cent and third-grade copra declined from 17 to 4 per cent for the same period.

66. The coconut planting industry which has of recent years supplanted gold as the Territory's second best source of export revenue is one of Fiji's earliest industries. It is the only plantation industry which has survived - sugar now being produced by tenant farmers on small holdings and banana production being mainly in the hands of Fijian villagers. The coconut plantations are situated on the wet sides of Vanua Levu, Tavenui and on the Lau Islands. Some are large producing units, but many are small. The plantations are owned by companies - European, part-European and Indian - and many have been in the same family for

generations. In addition to these plantations, there are Fijian natural groves which account for more than 50 per cent of the Territory's copra production.

67. Coconut oil exports in 1967 totalled 14,160 tons valued at £F1,426,224, compared with 14,469 tons valued at £F1,439,307 in 1966. Copra exports in 1967 totalled 1,756 tons valued at £F110,653, compared with 2,098 tons valued at £F137,839 in 1966. Coconut meal exports in 1967 were 5,034 tons valued at £F115,614 compared with 5,230 tons valued at £F146,998 in 1966.

68. A coconut subsidy scheme came into operation in 1963 and has resulted in improved copra through better methods of production. Three types of subsidy have been paid under the scheme: the "A" subsidy applied to the clearing and thinning of Fijian-owned groves for which a subsidy of £F2 per acre was paid, in addition to £F1.10s. per acre for maintenance over a two-year period (this part of the scheme has now been completed); the "B" subsidy applies to the replanting of over-age trees for which payments of £F3.10s. per acre are made in addition to £F1.10s. per acre for maintenance over a six-year period; the "C" subsidy applies to the clearing of new land and planting on freehold or leasehold land for which up to £F2.10s. per acre is paid for clearing and up to £F3.10s. per acre for planting, in addition to £F1.10s. per acre for maintenance over a six-year period.

69. Up to the end of 1967, 113,076 acres had been cleared under the "A" subsidy; 3,136 acres had been replanted under the "B" subsidy; and 52,059 acres had been cleared and planted under the "C" subsidy. A total of £F900,000 had been paid out under the subsidy scheme up to 31 December 1967.

70. In 1967 the membership of the Coconut Board, which controls licensing, grading and price fixing, was as follows: Messrs. H.G. Nicholls, Chairman; P.B. Matasau and C.D. Aidney. Owing to the absence from Fiji of Mr. Aidney for two months from December 1967 and Mr. Nicholls for seven months during 1968, the Governor appointed Ratu Jone Kikau as a member of the board from 11 December 1967 to 30 September 1968.

71. The Coconut Advisory Council represents the Government and all sections of the industry. The membership of the council at the end of 1967 was as follows: Messrs. H.G. Nicholls, Chairman, C.D. Aidney, P.B. Matasau, J.W. Gosling, W.G. Johnson, Ratu Wiliame Maivalili, L.R. Martin, L.H. Simpson, A.R. Tarte, Maikeli Tuitoga, H. Wooley, Aisaka Matanisiga and also the Director of Agriculture, the Registrar of Co-operatives. The Board and Council Secretary, J.S. Matheson resigned at the end of the year and S.J. Cammon was appointed Secretary as from 7 December 1967. Mr. R.B. Ackland acted as Secretary for three months from September during the absence of Mr. Matheson.

72. The rhinoceros beetle continued to menace the Territory's copra industry. It has infested the main islands to such an extent that its eradication from them is admitted to be impossible; government policies have therefore been concentrated on keeping it away from the outer islands which produce most of the copra. The beetle is reported to have spread to one of the two remaining uninfested islands of the Yasawa group, and has also been found on Laucala and Qamea as well as the Cakaudrove Islands, where they have never been seen before. Steps were being taken to eradicate it from these islands.

73. In February 1969, it was reported that Vanua Levu copra planters had attacked the Government's copra policy. They considered that they had to "seek relief by trying by every available means to change the Coconut Marketing Ordinance or else change the Government". The Coconut Board, in conjunction with the Coconut Advisory Council had taken action to deduct $F14 a ton from the price paid to planters to offset the losses of local crushers on the London market. The spokesman for the planters charged that the Coconut Marketing Ordinance was "iniquitously weighted" against the interests of the producers. According to them, the marketing authority was so constituted that an "overwhelming" majority of members were representatives of the millers or their subsidiaries. The producers' view was that under the ordinance the crusher was guaranteed immunity from competition and that alternative buyers were "ruthlessly" excluded from the market.

74. It was recently reported that P.A. Management Consultants Pty., Ltd., a London firm of consultants, had been selected to carry out an objective investigation into the marketing and processing of Fiji copra. Four consultants with specialist knowledge in such fields as economics, marketing and engineering will carry out the investigation and present their final report early in October 1969.

Other agricultural products

75. Bananas are the chief fruit exported, although melons, mangoes and other varieties of fruit are also exported. There was a further recession in the banana industry in 1967. A near hurricane in April caused widespread damage and was a major factor in the reduced export figures for that year. The administering Power also reported that the planting on hill slopes to escape flood damage had resulted in soil fertility problems, the complexity of which had not been appreciated formerly. There was also a severe loss from various diseases, especially the leaf spot complex. Exports of bananas during the years 1965 to 1967 were as follows:

| Years | Quantity (pounds) | Value (Fijian pounds) |
|---|---|---|
| 1965 | 3,638,000 | 68,000 |
| 1966 | 8,316,000 | 162,000 |
| 1967 | 3,478,000 | 67,000 |

It was reported that banana exports in 1968 had again increased and exceeded 102,000 cases, compared with 48,000 in 1967. Unfortunately, floods early in 1969 blocked roads and therefore held up banana shipments to Suva. It was reported that 1,500 cases were affected and the price per case was cut to fifty cents resulting in losses to growers.

76. It was reported that the passion fruit industry in Sigatoka Valley which the floods of the mid-1960s had nearly closed down was attempting to recover its former position. Until the floods occurred, farmers sent 2 million pounds of fruit annually, valued at $F200,000 in gross export receipts, to the two factories in the area: South Pacific Foods Pty. Ltd. and Cottees' (Fiji), Ltd. When supplies dropped, Fiji lost its market in Australia and the United States to Brazil and China, and Cottees' (Fiji), Ltd. ceased operations.

77. During 1966 and 1967, large quantities of passion fruit were diverted to the fresh fruit market in New Zealand. In 1968, there were indications of a revival in marketing prospects and a replanting programme was started. Cottees' was purchased by the retired chairman of the parent company and reopened under the name Tropic Fruits, Ltd. By the end of January 1969 contracts had been signed with nearly 400 passion fruit growers, most of whom held one-quarter acre plots. Most of the recent plantings will begin bearing in 1970, when the yield is expected to be 30,000 to 40,000 gallons of fruit juice valued from $F90,000 to $F120,000. While the total volume in 1970 is expected to be below the 1966 output, there is reported to be an assured market for the yield in Australia and New Zealand.

78. Consumption of rice in the Territory is approximately 20,000 tons a year, of which 12,000 tons is usually produced locally. The bulk of the remainder is imported from Thailand and the United States, with a small amount from Australia. A condition of Fiji's sale of sugar to the United States is that Fiji should take surplus United States agricultural produce in exchange. The Territory elected to take rice - about 7,500 tons in 1967. Some 21,663 acres were used to grow rice in 1967, compared with 20,680 acres in the previous year. Over-all production was estimated at 7,979 tons of padi, compared with 10,340 tons in 1966. Major factors responsible for the low yield were the small unit size of farms with consequent low management standards, and the near hurricane in April mentioned earlier.

79. The Fijian farmers who own most of the suitable cocoa land in the south-eastern part of Viti Levu and in the province of Cakaudrove on Vanua Levu have tended to concentrate on bananas and coconuts to the exclusion of cocoa. Some renewed interest in rehabilitating neglected cocoa plantations was shown in 1967 and a number of new plantings were carried out. A great deal of basic research on this crop remains to be done, however.

80. In 1967, cocoa subsidy payments were made on 261 acres for which £F782 was paid out. Production amounted to approximately 25 tons of raw cocoa. Four cocoa fermentaries were built to serve cocoa estates on Viti Levu, Vanua Levu and Taveuni. It is reported that cocoa production in the central district of Viti Levu doubled from 1967 to 1968. London cocoa prices rose from £F422 a ton in November to £F480 in December 1968.

81. The build-up of the export market for green ginger continued and this product has become of increasing importance to farmers. Quantities exported in 1967, (in fifty-pound lots) were as follows: New Zealand, 1,759; United States/Canada, 19,500; and the United Kingdom, 1,350.

82. Other crops grown on a small scale for marketing included pineapples, onions, corn, maize, potatoes, peanuts and rubber.

83. In 1967, 20,000 pounds of manufactured tobacco and 311,430,000 cigarettes were produced locally.

84. <u>Livestock and related industries</u>. Beef and dairy cattle have done well in Fiji and the Territory is capable of being self-supporting in dairy products. One dairy company - the Rewa Dairy - distributes milk and butter for local use. Fijian butter was in surplus supply because of competition from imported butter, but in recent years, the local product has supplied an increasing proportion of the local market. Although 1,203,000 pounds of butter were produced locally in 1967, imports

amounted to 250,843 pounds for the same year. Imports totalled 412,496 pounds in 1965 and 251,980 pounds in 1966. Following a move to dump Dutch butter cheaply in Fiji in mid-1966, the Government stopped the import of butter except from Australia and New Zealand. The Dutch butter, despite transportation costs and import duties, could be landed at a price below the selling price of the local commodity.

85. Local production of ghee totals about 50,000 pounds annually. Imports of ghee in 1967 amounted to 764,370 pounds valued at £F148,354. About 500,000 pounds came from New Zealand, with large quantities from Australia and the Netherlands as well. In the same year, 165,836 pounds of ghee substitute valued at £F13,754 were imported - mostly from Singapore.

86. The Department of Agriculture has undertaken experimentation in cattle breeding for both dairying and local meat production to determine the breeds and management most suited to local conditions. In recent years, Santa Gertrudis cattle have been imported and bred and have also been crossed with Hereford and Friesian stock with satisfactory results. The cattle census in 1966 showed that there were 136,778 cattle in the Territory. The number of cattle slaughtered locally has risen steadily in recent years; in 1967, 10,956 cattle were killed, producing 5,577,502 pounds of beef.

87. Goats do well and are run entirely for meat, there being no goat milk production. There are some 70,000 goats in the Territory and approximately 1,000 are slaughtered annually in registered slaughter houses. The administering Power reports that at the end of 1967 there was a total of 400 sheep at the experimental farm near Nadi. A recent press account stated that a farmer on Bua had started raising sheep and now had a flock of more than 150.

88. Poultry farming, as an adjunct to other types of agriculture, is widespread. One firm near Lautoka and another at Lami near Suva produce dressed table chickens for distribution. In 1967, because of the presence of a poultry disease, there was a marked drop (32,133) in production of day-old chicks to 206,515 and a consequent rise in imports to 59,720. The administering Power reported that the disease has been brought under control.

## G. MARINE PRODUCTS

89. A small Fisheries Section was added to the Department of Agriculture in 1963 to encourage selected local fishermen to go into the business commercially. The Fisheries Section has a fully equipped vessel for research and training as well as two patrol and survey vessels. There were 585 licensed fishermen in 1967. A small pearl culture station was established on Gau Island, Lomaiviti, in 1966, for investigation into the possibilities of pearl oysters and in 1968, an investigation into the development of table oysters was started near Suva. The station at Gau harvested the first batch of half-pearls in 1967, and 1,140 shells were in production by the end of that year. Nearly 5,807 pounds of bêche-de-mer valued at £F3,535 were exported in 1967, mainly to Singapore and Hong Kong.

## H. FORESTRY

90. According to the administering Power, an adequate forest estate remained a problem on Vanua Levu in 1967, although the situation on Viti Levu was satisfactory, at least in the short term. During 1967, approval was given by the National Land Trust Board to the leasing of 571 acres. Areas totalling a further 26,000 acres were endorsed for leasing by the Government and submitted to the National Land Trust Board for its approval.

91 The main achievement during 1967 was the establishment of approximately 4,517 acres of plantations. This is 967 acres in excess of the 1966-1970 Development Plan target. Approximately, 2,854,366 superficial feet of lumber, valued at £F152,939 were exported in 1967, compared with 4,733,854 superficial feet, valued at £F261,041 in 1966, and 3,068,412 superficial feet, valued at £F154,545 in 1965. Timber is still imported, however, and in 1967 its value was almost £F200,000. The following table gives a break-down of the 1967 imports:

| | | Quantity (superficial feet) | Value (Fijian pounds) |
|---|---|---|---|
| Lumber, sawn, planed or dressed - conifer | | | |
| Australia | | 5,100 | 548 |
| Canada | | 2,775,846 | 170,071 |
| New Zealand | | 137,427 | 7,706 |
| United States of America | | 226,480 | 13,641 |
| | Total | 3,144,853 | 191,966 |
| Lumber, sawn, planed or dressed, non-conifer | | | |
| Australia | | 70,345 | 7,807 |

Future exports will be confined to sawn timber owing to a prohibition on the export of logs imposed by the Fiji Government in January 1965. Raintree, also known as monkey-pod, is also subject to the log export ban and may be exported only in slab form. In 1967, 40,000 cubic feet were exported to Hawaii (United States).

92. In addition to those timber concessions named in an earlier report (A/6868/Add.1) there are also the Savatu concession of 13,000 acres at Nararivadu and a Buca concession of 16,000 acres on Vanua Levu. Three other concessions were in the process of being negotiated in early 1968, two on Vanua Levu and one on Viti Levu. The Land Resources Division of the Directorate of Overseas Survey (United Kingdom) was conducting a survey of forest resources in mid-1968 under the United Kingdom Technical Assistance Aid Scheme. No further concessions were to be granted until the final report became available in 1970.

93. Royalty (to the indigenous owners of the land) and fees (to the Government) are payable on all timber removed from the forests. Royalty charges vary according to the class of timber and are expressed either in the round as a

charge per 100 Hoppus super feet or as converted (i.e., sawn) timber per 100 superficial feet true measure. Royalty rates per unit of 100 superficial feet vary from 25 shillings for raintree to one shilling for certain low grade timber. Fees per 100 superficial feet are constant for all timber classes at 4 shillings converted and 2 shillings in the round.

94. Early in 1969, it was reported that a training school had been opened at Lololo for the Forestry Department. In opening the new school, the Governor of the Territory pointed out that 25,000 acres of forest plantation had been established so far, and that the Department's programme called for a further 4,000 to 5,000 acres, soon to be increased to 6,000 acres, to be added every year.

## I. MINING

### General

95. The ownership of all minerals in Fiji is vested in the Crown under legislation that goes back to 1908. From 1966, control of the mining industry has been vested in the Director of Mines. Previously, a mining board had control of the industry, but in 1966 this was reconstituted to act as an appeals board against decisions of the director.

96. Forty-three Prospectors' Rights were issued in 1967, compared with 33 in 1966 and 24 in 1965. Thirteen prospecting licences, covering an area of 1,283,248 acres, were in force at the end of 1967. The large increase in the area covered by prospecting licences (from 467,193 acres in 1966 to 1,283,248 acres in 1967) is mainly due to the areas taken up by a United States company, Crawford Marine Specialists, Inc. for off-shore prospecting. The company was granted a special licence covering twelve areas around the coasts of the two principal islands. The licence is conditional on the company spending specified sums in Fiji on prospecting the areas.

### Prospecting and mining activities

97. Bann Mining Company, Ltd., a Japanese company, owns and operates the Udu copper mine at Udu Point, Vanua Levu. The company has started mining operations but expects the copper ore to be exhausted before 1972. In 1968, the company prospected the surrounding area. The first shipment of concentrated copper shipped to Japan in 1968 totalled about 500 tons. Placer Development, Ltd. was granted a copper prospecting area of 238 square miles north of Suva in 1968.

98. Some iron ore has been extracted in the form of magnetite but the deposits in the existing lease area have been worked out. There had been some Japanese interest in the extraction of iron from the black sands near Sigatoka but in 1965 the area was closed. Following a government invitation in 1967, however, a United States company was to investigate possibilities of the magnetite sands at the mouth of the Sigatoka River.

99. It was reported that an application by a company supported by Japanese capital, Bauxite Fiji, Ltd., for a special mining lease covering bauxite deposits at Wainunu, Vanua Levu, had been approved by the Fiji Government.

The company's chairman stated that the results of survey work being done in the area by Japanese geologists and mining engineers would decide whether mining would actually start. It was believed that there was a six-million ton deposit of bauxite in the area, and that the company planned to mine and ship about 250,000 tons a year to Japan, probably beginning in early 1972. After extracting the ore by open-cast mining, the company would treat it in a washing plant and then ship it to Japan to be transformed into aluminium ingots. The company would build a port with bulk-loading facilities at one of several sites in Wainuna Bay now being investigated. A force of between 150 and 170 men would be employed at the mine. The company expected to obtain one ton of aluminium from four tons of ore and hoped its investment in the project would not exceed $US3 million.

100. Manganese mining is of declining importance. Most of the easier localities have been worked out - usually by primitive methods of working in easy outcrops. A factor in the drop of production was the fall in the world price of manganese. In 1957, the peak year, 27,415 tons valued at £F449,635 were exported. By 1966, exports had fallen to 5,242 tons valued at £F45,908; in 1967 exports amounted to 5,845 tons valued at £F64,176.

101. It was reported in March 1969 that a Canadian company, Barringer Research, Ltd., of Ontario, had signed an agreement with the Fiji Government to conduct the largest mineral search undertaken thus far. A twelve-month survey, for which specialized aerial and ground techniques were to be used, would cost about $F2 million. The Fiji Government would contribute $F37,000 for the charter of an aircraft and would provide office space. During the search, all of Viti Levu and Vanua Levu - except those areas already covered by existing mining tenements - would be closed to prospectors. Manganese, bauxite, phosphate and certain other minerals, however, were reported to be excluded from the closure. If the Government was satisfied that the prospecting work was serious and at adequate levels of expenditure, it would provide Barringer with initial three-year licences.

102. Investigations in the Tavua area in 1967 and 1968 by the Emperor Gold Mining Company and the Fiji Geological Survey Department have confirmed the presence of gold-bearing ore in two localities, but whether the extraction is a commercial proposition has not yet been made known. Like most gold-mining companies, Emperor has laboured under rising costs, but since early 1968 gold may be sold on the open market. This has resulted in a considerable rise in the price of Emperor shares on the stock-market The mines at Vatukoula employ about 1,500 people, mostly Fijians, and for this reason alone is a valuable industry for the Territory. The Government has assisted the industry materially from time to time. In September 1967, the Legislative Council approved a subsidy of £F1 million, payable over three years to Emperor, for underground and organized development and exploitation.

103. It was reported that a demand by the Opposition, led by Mr. R.D. Patel, to nationalize the Emperor Gold Mines at Vatukoula on Viti Levu, was rejected by twenty-three votes to eight in the Legislative Council in January 1969. Mr. Patel claimed the Emperor Mines had mulcted Fiji taxpayers under the pretext of losing money, having to close down and cause unenployment. He said that the company records showed that shareholders had invested only $F500,000, whereas the Fiji Government had invested $F4 million in the company since 1951, through subsidies and tax concessions. After quoting figures of profits and

losses by the company between 1951 and 1967, Mr. Patel said that a fair profit had been made during most of the years when it was claimed that the company was in financial difficulties and needed assistance. In reply, Government members were reported to have said that Mr. Patel's figures did not take into account the large sums of money the company had reinvested into development, and the payment of wages, nor the dividends it had returned.

104. In 1968, officials of the Emperor Gold Mining Company and its subsidiary the Tavua Power, Pty., Ltd., included Messrs. N.E. Nilsen, chief general manager; A. Watson, general manager; E.B. Turner, secretary and manager of the administration, and P.J. Schmidt, production manager.

105. The following table shows the estimated production and value of mineral production for 1966 and 1967:

(Fijian pounds)

| | 1966 | | 1967 | |
|---|---|---|---|---|
| | Quantity | Value | Quantity | Value |
| Gold (ozs.) | 112,567 | 1,544,179 | 115,000 | 1,600,000 |
| Silver (ozs.) | 67,499 | 31,164 | 70,000 | 32,000 |
| Manganese ore (tons) | 5,242 | 45,908 | 5,500 | 70,000 |
| Copper ore (tons) | 355 | 235 | - | - |
| Limestone (burnt lime)(tons) | 2,406 | 22,158 | 3,000 | 25,000 |
| Sand and gravel (cubic yards) | 478,323 | 191,873 | 400,000 | 180,000 |
| River sand (cubic yards) (Cement manufacture) | 14,335 | 5,380 | 14,000 | 7,000 |
| Coral sand (cubic yards) (Cement manufacture) | 49,897 | 15,000 | 40,000 | 20,000 |
| Coral sand (cubic yards) | 1,875 | 500 | 935 | 300 |
| | | 2,104,977 | | 2,184,300 |

106. Royalties are payable on all minerals exported from Fiji. Royalties on all minerals except iron ore and bauxite is 5 per cent of the export value; on iron ore and bauxite the royalty is 3 per cent of export value. Royalties from all mining added £F7,628 to the Territory's revenue in 1966 and £F3,451 in 1967.

## J. LABOUR

### General

107. At 30 June 1967 there were 30,698 persons employed for wages, compared with 28,522 in the previous year. These figures relate solely to manual workers in regular wage-earning employment. Self-employed persons such as dock workers and cane cutters, domestic servants in private households, office workers, supervisory staff and established members of the civil service are not included in these figures. At 30 June 1967 there were 1,510 women in employment, compared with 1,256 in 1966, and there were 379 young persons below the age of 18 years, compared with 545 in the previous year.

Wages and conditions of employment

108. The wages and conditions of almost two-thirds of the labour force are regulatated by voluntary collective agreements negotiated between trade unions and employers. In addition, it is estimated by the administering Power that a further 7,500 persons are covered by statutory Wages Regulations Orders made under the Wages Councils Ordinance for employees in the hotel and catering trades, the building trades, the civil and electrical engineering professions, the road transport industry and the wholesale and retail trades. Wages are otherwise determined by agreement between individual workers and their employers. During 1967, Wages Regulation Orders were published by the Road Transport Wages Council and the Hotel and Catering Trades Wages Council, providing in both cases inter alia for a minimum hourly rate of 2s.2d. for adult workers. The average basic wage for unskilled workers provided for in negotiated collective agreements was about 2s.4d. an hour, and varying differentials for skill apply.

109. A Manpower Resources Council was set up by the Legislative Council in 1967. It has eleven members, the majority of whom are not in the Government. The chairman is also the chairman of the Public Service Commission. The Council's main functions are to match individuals with jobs, so that trained manpower is used in the best possible way in the interests of individuals and employers concerned; and to ensure that the necessary trained manpower is available for the implementation of present and future development plans, so that these may be fulfilled to their maximum extent.

110. The Council is also a co-ordinating body estimating, with the Government and the private sector of employment, the manpower requirements of both public and private enterprise. It also seeks to ensure close co-operation with the various educational and training authorities in Fiji so that scholarship awards, academic and vocational training courses are continually related to the needs of the country.

Trade unions

111. Four new trade unions were registered under the Trade Unions Ordinance during 1967: the Viti Registered Nurses' Association; the Printing and Allied Trades' Union; the Suva City Council Staff Association; and the Native Land Trust Employees' Association. It was reported in May that the Fiji Cinema Workers' Union was registered, bringing the number of registered trade unions to twenty-six.

Employment exchange

112. The Labour Department operates an employment service from its Suva, Lautoka and Labasa offices. Persons outside these centres may register for work at the nearest district office. In 1967, 3,688 persons registered for employment and 369 persons were placed in employment. These figures compare with 2,544 persons registered and 332 placements in 1966. Registration for employment is on a voluntary basis; the available employment exchange statistics therefore give no indication of the level of unemployment in Fiji, although the increase in the number of registrations - almost 50 per cent over the comparable figure for the preceding year - indicates that unemployment, particularly in the urban

areas, increased during 1967. In the two population census years (1956 and 1966) the total number of persons reporting themselves as unemployed were 1,180 and 5,210 respectively. These figures do not take account of underemployment, which the administering Power reports as prevalent in the rural areas.

113. By agreement with the Government of New Zealand, revised arrangements were brought into effect on 15 January 1967 governing Fijian residents entering that country for short-term employment. The new arrangements provided for the notification of vacancies in New Zealand to the Fiji Labour Department, the registration of applicants seeking work in New Zealand, and for the issue of work permits to suitable local applicants. The scheme was suspended 8 June 1967 at the request of the New Zealand Government pending an assessment of the employment situation there. During the period that the scheme was in operation, 1,136 vacancies were notified, 1,762 applications for employment were received and 881 persons went to New Zealand to take up employment.

114. Largely as a result of the disputes described in last year's report (A/7320/Add.1, appendix XI, paras. 151-160) the administering Power stated that the number of man-days lost in 1967 as a result of strike action showed a substantial increase over 1966. Altogether there were twelve strikes during the year involving a total of 1,421 employees and incurring a loss of 7,308 man-days, compared with two strikes and the loss of 101 man-days in 1966. In addition to trade disputes formally reported under the Trade Disputes (Arbitration, Inquiry and Settlement) Ordinance, a total of 1,286 minor disputes, mainly involving individuals or small groups of workers, were dealt with on an ad hoc basis by officers of the Department of Labour.

115. Early in 1969 it was reported that bus drivers in Suva and Nausori, members of the Transport Workers' Union, struck against sixteen bus companies over a log of claims and to induce them to come to an agreement with the union. City Council employers, members of the Fiji Municipal Workers' Union, were reported to have struck in sympathy with the Transport Workers' Union, but later this was denied. They gave as their reason a few months' delay over the implementation of a job evaluation scheme.

116. The Suva and Nausori bus transport workers reportedly returned to work two days later when bus owners agreed to give them a pay rise. The 300 Suva City Council Workers returned to work following their unofficial strike after having been advised to by the president of the Fiji Municipal Workers' Union who assured them that their grievances as regards the job evaluation exercise and their sympathy with the Transport Workers' Union would be looked into by the executive.

## Labour legislation

117. The following labour legislation was enacted during 1967:

(1) The Wages Regulation (Hotel and Catering Trades) Order, 1967, which lays down minimum rates of remuneration and conditions of service for employees in the industry.

(2) The Wages Regulation (Road Transport) Order, 1967, which similarly lays down minimum rates and conditions for employees in the road transport industry.

(3) The Industrial Training (Amendment) Regulations, 1967, which make a minor amendment to the prescribed form of contract of apprenticeship.

(4) The Factories (Amendment) Ordinance, 1967, which inter alia extends the scope of the Ordinance and makes provision for the keeping of factory registers by employers.

APPENDIX VII

PAPUA AND THE TRUST TERRITORY OF NEW GUINEA

CONTENTS

## INTRODUCTION

1. Basic information concerning economic conditions in the Territory of Papua and the Trust Territory of New Guinea, with particular reference to foreign economic interests, is set out in the report of Sub-Committee I of the Special Committee contained in document A/AC.109/L.506, the final version of which (A/7320/Add.1) will appear in the annexes to the official records of the twenty-third session of the General Assembly. More up-to-date information on the general economic situation of Papua and the Trust Territory of New Guinea is to be found in the Secretariat working paper (see A/7623/Add.6 (part II), chapter XX, annex I) and, in greater detail, in the report of the Trusteeship Council to the General Assembly at its twenty-fourth session. a/ Further information relating to the scope of foreign interests is set out below.

## A. LAND

2. In November 1968, it was reported that delegates at the New Guinea islands local government conference made reference to an amendment to the Land Ordinance introduced during the life of the first House of Assembly which would provide a development covenant for freehold land. The conference agreed that the Director of the Department of District Administration should be asked to reintroduce the proposed legislation in the House of Assembly. The legislation referred to was introduced in the House of Assembly by the Administration in November 1967 and did not become law, as that session of the Assembly adjourned before action was taken on it. Under the proposed amendments, if the Administrator considered that freehold land had not been adequately developed, he could serve upon the owner a development notice. Failure to carry out an approved development scheme could result in the resumption of the land by the Administration, on payment of compensation.

3. At the same conference, thirteen delegates reportedly decided that they would also seek to have legislation introduced to establish a price limit on the cost of undeveloped freehold land. According to one Councillor, the high price of freehold land was causing unrest among the Tolai people in the Gazelle Peninsula, where there is much freehold land. Companies owning the land were asking widely differing prices, and even the prices of under-developed freehold land were too high for the indigenous people.

4. The administering Power reports that in March 1969, the Residence (Land Titles) Bill was introduced in the House of Assembly. The purpose of the bill was to give certainty as to the ownership of land in Papua and New Guinea, making sure that the Administration had a good title to "administration land". The areas of land covered by the bill were scattered throughout both Papua and New Guinea. Some were connected with the oil palm project at Cape Hoskins, the tea schemes in the Wahgi Valley, the coconut scheme at Sowan and the farming schene in the Sepik.

5. According to reports, the bill, which was designed to prevent successive clan claims to Administration land, had alarmed the local people, particularly in the Gazelle Peninsula and in the Port Moresby subdistrict.

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a/ See Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 4 (A/7604).

## B. AGRICULTURE AND LIVESTOCK

6. About half the land under commercial agriculture is cultivated by indigenous inhabitants, and their holdings contribute about 40 per cent of the total value of crop production. The Administration states that these proportions will be substantially increased under the proposed agricultural development programme covering the period to 1972/1973.

7. The major objectives of the agriculture, livestock and fisheries programme are to increase and diversify production, increase indigenous participation in commercial production, provide employment opportunities, raise farm incomes and rural living standards and encourage adoption of sound agricultural practices to improve productivity. When new agricultural plantings during the programme period reach maturity, it is estimated that the value of production of major tree crops - coconuts, cocoa, rubber, tea and oil palm - will be more than A70 million. The value of commercial agricultural production, including coffee, is expected to rise to another $70 million in 1972/1973.

### Copra

8. Indigenous growers in the Territory of Papua and New Guinea produced 34,504 tons of copra for the year ending 30 June 1967, compared with 36,991 at 30 June 1966. Non-indigenous growers produced 85,855 tons at 30 June 1967, compared with 95,332 at 30 June 1966.

### Cocoa

9. Indigenous growers produced a total of 5,032 tons of cocoa for the year 1966/1967, compared with 4,132 tons in 1965/1966. Non-indigenous growers produced a total of 16,068 tons in 1966/1967, compared with 15,316 tons in 1965/1966.

### Rubber

10. Of the 5,462 tons of rubber produced in the Territory for the year 1966/1967, indigenous growers contributed only 24 tons.

11. In the five-year economic development programme it is anticipated that small holder blocks and units of rubber will be established on a village production basis. By 1972/1973, indigenous plantings would account for 38 per cent of the total area of 62,000 acres of rubber.

### Coffee

12. Indigenous growers produced a total of 10,567 tons for the year 1966/1967, compared with 6,791 tons for 1965/1966. Non-indigenous growers produced a total of 5,577 tons for 1966/1967, compared with 4,235 tons for 1965/1966.

### Oil palm products

13. In January 1969, the International Development Association announced that it agreed to make a $US1.5 million loan to the Papua-New Guinea Administration to assist it in developing the palm oil industry. Total cost of the project was estimated at $US3.3 million, the remainder of which would be financed by the Administration.

14. A palm oil project at Cape Hoskins was established in 1967 as a joint venture between an overseas private company and the Administration. The latter held 50 per cent of the equity in the company on behalf of the people of the Territory, so that in the future half the shares in this enterprise could be held by indigenous people. In the meantime the Administration would receive half of the profits. Early in 1968 applications were called for indigenous people to take up 258 blocks, and 722 applications were received. There were, as of June 1969, approximately 290 Papuan and New Guinean settlers on the project. b/

Other crops

15. Rice production in the Madang, Sepik and Gulf districts totalled 1,330 tons in 1966/1967. As yet, the local industry makes very little contribution to the total consumption of rice which, in 1966/1967, amounted to 34,000 tons. It is anticipated that local production, mainly by indigenous inhabitants, could increase to 5,000 tons by 1972.

16. Peanut production has been comparatively static. In the non-indigenous sector, average yields showed considerable decline. Total production was 1,260 tons (kernels) in 1966/1967. Indigenous production for cash sale was 391 tons.

17. Passionfruit is produced in the Eastern and Western Highlands. Production, which had been slowly increasing, was 710 tons in 1966/1967. It is anticipated, in the five-year economic development programme, that this production would rise to 800 tons in 1968/1969 and still further in subsequent years, provided that adequate export markets can be found.

18. Pyrethrum, which is produced solely by indigenous planters, increased from 140 tons in 1964 to 252 tons in 1966 and 551 tons in 1967. Production was expected to decline slightly during 1968 and 1969, but new planting efforts were expected to increase it in later years to at least 800 tons.

Livestock

19. The principal livestock are pigs, owned mainly by the indigenous inhabitants, and cattle, owned mostly by non-indigenous breeders.

20. Statistics on cattle in the Territory are given in the following table:

| Item | 1965/1966 | 1966/1967 | 1967/1968 |
|---|---|---|---|
| Total stock (in thousands) | | | |
| Indigenous | 2.9 | 3.9 | 4.6 |
| Non-indigenous | 41.8 | 46.4 | 52.0 |
| Total | 44.7 | 50.3 | 56.6 |

b/ For further details, see A/7604.

21. The major objectives of the livestock programme are to expand the beef cattle industry as rapidly as possible and to increase indigenous participation. It is anticipated that by 1972/1973 indigenous stock-holdings would be over 31,000 head and non-indigenous stock-holding over 106,000 head.

## C. TIMBER

22. Papua and New Guinea's timber resources cover three quarters of the land area, and at least 20-30 million acres have considerable commercial potential.

23. The log cut has increased at an annual rate of 16.8 per cent since 1960/1961. Forty-three per cent of all production in 1966/1967 was exported, largely in the form of logs. Although log exports increased rapidly over the period to 1967/1968, exports of sawn timber, plywood and veneers remained fairly steady.

24. The administering Power reports that the greatly increased local demand for sawn timber made a substantial contribution to the over-all development of the industry. However, this was only a transitory phase associated with an accelerated housing programme and the construction of large army installations.

25. In 1967/1968, there were 67 commercial sawmills (excluding sawmills not associated with forestry operations) in the Territory. The number of persons employed in these sawmills and related forestry establishments totalled 4,602 indigenous persons, 416 European and 21 other non-indigenous persons.

26. During the year timber rights over seventeen areas and totalling 149,783 hectares were purchased. These included five areas totalling 3,923 hectares in the Morobe District, six areas totalling 129,092 hectares in the East and West New Britain Districts, five areas totalling 16,160 hectares in the Western Highland District and one area of 608 hectares in the Eastern Highlands District.

27. The administering Power reports that proposals received for the development of the Vanimo timber resources were disappointing and that negotiations were continuing to attract a suitable operator to that area.

28. The first part of a consultant's report on the feasibility of establishing a timber industry on the timber resources of an area of 168,000 hectares in the East and West Britain Districts was accepted. The consultant was engaged on the second phase of this operation.

## D. MINING

29. The mining industry has been characterized by declining gold production, small-scale silver production and other minor by-products of gold mining, some small production of copper and manganese ores and carrying of various aggregates for the construction industry. Of the total value of mining production in the history of the Territory, 70 per cent occurred before 1952/1953. Production of metals subsequently decreased from $A5.2 million in 1951/1952 to $A0.9 million

in 1966/1967. However, there has been a substantial increase in mineral exploration activities in recent years, and although the mineral resources of Papua and New Guinea are still imperfectly known, there are good prospects for developing a viable copper-based mineral industry. There are also good prospects for development of limestone resources and nickel mining in the longer term. Possibilities exist for development of natural gas reserves in the Papuan Gulf area. Land held under mineral prospecting titles by major international companies increased from about 526 square miles in 1963 to approximately 6,600 square miles in 1966 and 32,000 square miles in 1967.

30. The principal objectives of the Administration's mining programme are to attract increasing amounts of private investment for large-scale mineral and petroleum exploration and development in the Territory; to encourage the employment and training of indigenous inhabitants in both exploration and development activities; to encourage local processing; and to maintain and increase indigenous participation in small-scale mining and prospecting activity.

31. Copper. The most important result of the increased mineral exploration activity was the proving by the Conzinc Riotinto of Australia group of a large, low-grade deposit on Bougainville Island. Early diamond drilling indicated the existence of about 500 million tons of low-grade copper ore with significant gold content. Bouganville Copper Pty., Ltd. concluded an agreement with the Australian Government in 1967. This company is two-thirds owned by Rio Tinto Zinc and one-third by New Broken Hill, a London-based company. Rio Tinto Zinc is a subsidiary of, and 85 per cent owned by, Conzinc Riotinto of Australia. The agreement, which was enacted by the Territory's House of Assembly, provided for the establishment of a major mining enterprise on Bougainville when the company decided to go ahead with the project, which it was expected to do in the second half of 1969. The terms of the agreement include, among other things, an income tax exemption during the first three years of operations and, later, the payment of income tax of up to 50 per cent of taxable annual income. The Administration has an option to purchase at par value, 20 per cent of the share capital of Bougainville Copper Pty., Ltd. The option would be exercised either on behalf of or by the people of the Territory, once the Company decided to go ahead with the project, provided that the Government was satisfied the venture was sound and offered reasonable prospects for profitable operation. The agreement also provided for the employment and training of 1,500 indigenous inhabitants and, where economically practicable, for the purchase of locally produced supplies and equipment.

32. In August 1968, it was reported that Conzinc Riotinto of Australia had announced that 500 million tons of ore with an average grade of 0.51 per cent copper and 0.4 dwts./ton gold were available for open-cut mining. Recent drillings had indicated another 400 million tons of lower-grade copper and CRA had probed ore reserves of 230 million tons of a slightly higher grade.

33. In November 1968, it was reported that estimates of copper reserves at Panguna, in Bougainville, had been quadrupled to nearly 1,000 million tons of low-grade ore.

34. In February 1969, Bougainville Copper Pty., Ltd. announced that it had signed an agreement to supply seven Japanese refining companies with copper from Bougainville. According to a letter of intent, at least 950,000 tons of copper

concentrate would be supplied to Japan over a period of fifteen years subject to further feasibility studies. The mine and concentration plant on Bougainville island was expected to come on stream during the latter part of 1972 at a capital cost of £116 to 140 million. It was anticipated that two thirds of this capital would be provided by loans and one third by way of equity. Approximately £23 million in equipment loans might be provided by Japan, subject to the property's requirements. The Japanese tonnage - to be sold f.o.b. - would run at a rate of 80,000 tons of contained copper per annum for ten years and 30,000 tons for the last five years. It would represent approximately half of Bougainville's production.

35. In July 1969, it was reported that Bougainville Copper Pty., Ltd. had announced that 760 million tons of ore with an average grade of 0.47 per cent copper and 0.4 dwt. gold/ton was available for open-pit mining in Bougainville.

36. In the same month, the company signed credit agreements with two international syndicates to provide $A246.4 million to finance its operations. The agreements were concluded with the Bank of America, heading two syndicates of twenty-seven British, European and Canadian banks and financial institutions. One syndicate of twenty-two banks would provide $A154 million, beginning at the end of 1970, at interest rates to be determined at six-month intervals. The second syndicate of fourteen banks would provide the other $A92.4 million in long-term financing at an established internal rate, to be repaid in 1978.

37. The availability of the loans depended on two factors: the acceptance by the Bank of America of the project evaluation report from an independent joint engineering venture; and the conclusions of sales contracts for a minimum of 135,000 tons of contained copper a year for ten years. According to the same reports, other agreements concluded by Bougainville Copper Pty., Ltd. were with a German smelting company for the sale of 52,500 tons of contained copper a year and with a Spanish company for 15,000 tons a year.

38. The administering Power reports that another Australian company, Kennecott Exploration (Australia), Ltd. conducted some test drilling of copper deposits in the Madang District with positive results and that a geological investigation was proceeding to ascertain whether further drilling was warranted. The same group also took a three-year option on another copper-gold prospect in the Eastern Highlands, which had been drilled to a shallow depth by the Administration. Other companies prospecting for copper include Placer Prospecting (Australia) Pty., Ltd. and Mt. Isa Mines, Ltd.

39. Other explorations. Exploration work showed the presence of nickel over considerable areas but so far in amounts too small to permit economic recovery. These areas include one prospect at Adau River in East Papua (involving the Conzinc Riotinto group), and prospects in the West and East Sepik, Madang, and the Central and Northern Districts. Two major Australian companies (Broken Hill Pty., Ltd. and Australian Consolidated Industries, Ltd.) were operating through subsidiary Territory companies which held prospecting titles for limestone.

40. Petroleum exploration has been carried out in Western Papua and North Western New Guinea. In 1967, sixteen companies were engaged in petroleum exploration. Since the Australasian Petroleum Co., Ltd. discovered substantial reserves of natural gas and oil traces (between 1956 and 1960), it has recorded open gas flows

averaging approximately 33.5 million cubic feet per day, at depths varying from 4,000 to 6,000 feet. Until 1967, most of the petroleum discoveries were made in fairly remote inland areas. In that year, an offshore discovery having better prospects of feasibility was made by Phillips Australian Oil Company, Ltd. The company continued drilling in that area in 1968. Close to its discovery on Ini Island, Esso Exploration and Production Australia, Inc. had been drilling under a farm-out agreement with the Oil Search Group.

41. In June 1969, it was reported that the Territory Land Board had decided to recommend that British Petroleum Company be given land leases for two projects: the building of a full terminal just outside Port Moresby and a $A50,000 service station at Boroko. The Company's plan for the terminal include a 6,000-foot pipeline to carry petroleum products from tankers, and it would cost $A100,000.

## E. MARINE PRODUCTS

42. The most important development of commercial fishing is along the Papuan coast, where more than one hundred motorized fishing canoes are operated by indigenous fishermen. The Federation of Native Associations has two vessels with a total freezer capacity of eight tons. Private and co-operative freezers are being established at several points. Total production of fish and crayfish in 1967/1968 amounted to approximately 16,000 tons.

43. Fish exports from Papua totalled 1,021,902 pounds, valued at $A1,030,336 in 1967/1968, compared with 144,131 pounds, valued at $A75,743 in 1966/1967. Shell exports from Papua and New Guinea were valued at a total of $A102,381 in 1967/1968, compared with $A87,961 in 1966/1967.

44. The principal problems affecting the local industry are the lack of new investment, the difficulty of transporting fish from the ports to the main centres and inadequate marketing facilities. The administering Power reports that steps are being taken to overcome these problems. Australian and other fishermen are being encouraged to fish under licence and to undertake survey work; and joint Territory-Japanese ventures have been proposed, including provision for resource surveys, tuna fishing, training of local crew members and establishment of a shore freezer and cannery. It is planned to establish forty-two village fishing projects, in addition to the eighteen currently in operation to supply the local market.

## F. MANUFACTURING INDUSTRIES

45. Manufacturing industries, which are at an early stage of development in the Territory, are almost entirely owned by expatriates, although indigenous inhabitants have interests in saw milling, a furniture factory and small-scale cottage industries. Although the engineering industry has become the leading sector in manufacturing, saw milling, plywood and joinery remain the largest employers, with 37 per cent of the 10,034 employed in manufacturing industries in 1966/1967. Engineering employed 33 per cent, the food, drink and tobacco industries 17 per cent and other industries 13 per cent. Manufacturing industries employed 6.3 per cent of all persons employed in the Territory in 1966/1967, and over 90 per cent of that percentage were indigenous employees.

46. At 30 June 1968, there were 1,840 companies registered under the Companies Ordinance of Papua and New Guinea. Of these, 1,532 were local companies, and 308 were registered as foreign companies.

47. In 1965/1966, there were forty-three factories employing fifty or more persons (of these fifteen employed more than 100). Most factories had twenty or less employees. The largest factories are in timber processing, tobacco manufacturing, baking, brewing and ship-building and repairing.

48. Statistics on manufacturing industries are given in the following table:

MANUFACTURING INDUSTRIES a/

| Class | Value of output | Materials and power used | Value of production | Factories | Employment | Annual average growth in output |
|---|---|---|---|---|---|---|
| | (Thousand | Australian | dollars) | (Number) | (Number) | (Per cent) b/ |
| Engineering | 14,638 | 6,942 | 7,696 | 215 | 3,347 | 24.0 |
| Food, drink and tobacco | 10,325 | 5,620 | 4,705 | 54 | 1,730 | 37.0 |
| Sawmills, joinery | 11,597 | 5,391 | 6,206 | 122 | 3,707 | 12.0 |
| Other industries | 11,358 | 7,847 | 3,511 | 48 | 1,250 | 14.0 |
| Total | 47,918 | 25,800 | 22,118 | 439 | 10,034 | 87.0 |

a/ Preliminary estimates. Electricity generation and coffee and cocoa processing are excluded.

b/ Annual average growth over five years.

49. Measures to assist the growth of industry include tariff concessions on most imported plant and raw materials used in manufacturing, tariff protection for locally produced commodities where this is shown to be necessary, special rates of depreciation for income tax purposes and preference for locally produced goods in government purchases. Exemption from the territorial income tax may be granted to a company engaging in an approved pioneer industry for the first five years of commercial operation. In addition, dividends paid from the income of such companies are also exempt from the territorial income tax. The Australian Government may also exempt from Australian income tax, dividends from territorial pioneer companies paid to Australian resident shareholders. The concessions available under the Industrial Development Ordinance, 1965-1967, continue to generate considerable interest among potential investors in industry.

50. In March 1969, the House of Assembly passed legislation to establish a Tariff Advisory Committee, which would conduct public hearings into applications for tariff protection from enterprises within the Territory.

## G. LABOUR

51. In the Territory of Papua and New Guinea, as of 31 March 1967, there were 100,895 indigenous persons in paid employment (including 3,318 of the police force but excluding members of the defence forces). Private industry employed 70,139, and the Administration and Commonwealth departments employed 30,756, including the members of the police force. There were 19,682 more "casual" workers (i.e. workers employed without contract) than "agreement" workers (i.e. workers employed under written agreement), which reflected the continued preference of privately employed workers.

52. Figures showing the number of persons in paid employment do not include domestic workers, whose number was estimated at 5,000 in 1967.

53. There has been no change in the wages paid to indigenous workers in 1967/1968.

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