U.S. Corporate Interests in Africa

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REPORT

TO THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

BY

SENATOR DICK CLARK, Iowa, *Chairman*
SUBCOMMITTEE ON AFRICAN AFFAIRS

OF THE

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UNITED STATES SENATE

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Grateful acknowledgement is also made to all those who contributed in various ways to this research, particularly individuals interviewed in connection with the credit report, firms which participated in the survey of U.S. corporations, and many others who offered their advice and counsel along the way.

The views expressed in this study are my own, and are not necessarily the views of other members of the Senate Foreign Relations Committee.

PART 1

SUMMARY AND RECOMMENDATIONS

Purpose

Today, a lively debate is emerging over the appropriate relationship the United States should maintain with the Republic of South Africa, a country governed by a leadership committed to a policy of apartheid, or racial segregation. That debate has arisen essentially for three reasons. First, it is a response to events which have occurred within the last 18 months in South Africa itself, in particular, the violent disturbances in Soweto and other black townships, the death in detention of the foremost leader of the black consciousness movement, the massive arrests and bannings of scores of black and white opponents of apartheid, and the closing of the largest circulation black newspaper in the country. These events bring home the reality of the potential for conflict in a country that has prided itself for years on a reputation for stability.

A second factor contributing to this debate is the dramatic political transformations which have occurred in southern Africa as a whole. Within the last 3 years, the entire strategic balance has shifted in the region. For centuries, southern Africa had been dominated by a coalition of white minority governments that maintained unchallenged control of the richest and most strategically important part of Sub-Saharan Africa. That traditional structure has collapsed, presenting South Africa with its greatest foreign policy challenge since the Boer War.

The third reason accounting for the debate over United States-South African relations is the coming to office of a new administration committed to a policy of promoting human rights as a vital component of American foreign policy. Perhaps no other area of the world presents as hard a test of the human rights issue as South Africa, a country whose complex social, economic and political systems are based on a complex of laws, policies, customs and attitudes enshrining racial domination. What sets South Africa apart from other countries which have equally oppressive and, in some cases, quantitatively worse records of human rights violations is that (1) South Africa's policies are based on race as the sole criterion of discrimination, (2) its human rights violations have been made "legal" through legislative and regulatory actions that have institutionalized racism into the fabric of society, and (3) its policies are justified in the name of defending the Free World of which South Africa claims to be a member.

At the heart of this debate lies the question of the role of American corporations. Although the scope of U.S. ties with South Africa is extensive, our economic relationship constitutes the strongest and the most controversial aspect of our association with South Africa. U.S. economic ties with Pretoria reach back to the 19th century. They have grown to the point where the United States is now South Africa's largest trading partner, its second largest overseas investor, and the supplier of nearly one-third of its international credit. This relationship confirms a close interdependence which makes a position of strict noninvolvement or neutrality on the issue of apartheid virtually impossible to maintain, given these economic realities.

What role do U.S corporations play in South Africa? One school of thought holds that U.S. corporations promote gradual social, economic, and political change through progressive labor practices which may set an example for South Africans to follow. American credit and capital, it is maintained, also contribute to a lessening of apartheid by promoting economic development which benefits all South Africans. Thus, it is argued, the overall impact of U.S. economic interests in South Africa is consistent with the objectives of U.S. foreign policy which has traditionally stated that it "abhors" apartheid and, under the current administration, stands for a progressive transformation of society toward full political participation.

Another school of thought holds precisely the opposite view. American economic investment in the country, it is argued, supports apartheid by fueling the economy on which the system rests. According to this view, American investment has had marginal material benefits for blacks and has strengthened the grip of the whites. Over the years, the income gap between whites and blacks in South Africa has widened, the political rights of blacks have diminished, and the drift toward greater authoritarian control by the central government has accelerated. Thus, it is concluded, U.S. economic interests in South Africa are inconsistent with the objectives of U.S. foreign policy, at best having no significant impact on apartheid and, at worst, directly supporting the policies of racial segregation.

The primary purpose of this study was to determine on the basis of empirical evidence which of these two views is essentially correct. Have U.S. corporations been agents of social and economic change? Have American credit and capital tended to erode apartheid or support the Government of South Africa and its policies of racial segregation? Have U.S. corporations been acting contrary to or in support of American foreign policy interests? These questions lie at the crux of the debate over the appropriate relationship of the United States to South Africa.

This study explores these questions in three parts consisting of (a) an analysis of the role of international credit by the Congressional Research Service, (b) a survey by the Subcommittee on African Affairs of the Senate Foreign Relations Committee of the labor practices of American firms doing business in South Africa, and (c) a Congressional Research Service review of the issues raised by the role of U.S. corporations in South Africa, as they were presented before the Subcommittee on African Affairs during the hearings conducted in 1976. The body of data contained in the first two reports is the basis of the summary and conclusions of this study.

International Credit

The bulk of international loans to South Africa have always originated from European sources. However, over the past few years, both the total amount of international loans, and the proportion borne by the United States, have increased substantially. From 1974 to 1976, bank lending to South Africa nearly tripled in volume and

Of these 12 firms, three provided data which shows a relationship between race and method of wage compensation. All of the salaried personnel employed by Rockwell, M & T Chemicals and Donaldson are white; all of the hourly workers are non-white. Moreover, these three firms also responded that they do not have an equal employment opportunity policy specific to South Africa.

Fourteen firms do not employ any white persons on an hourly basis:

Blue Bell Inc.
Borden Inc.
Federal Mogul Corp.
Gillette Co.
Kendall Co.
M & T Chemicals Inc.
Miles Laboratories.
Richardson-Merrell Inc.
A. H. Robins Co.
Rockwell International Inc.
Standard Brands Inc.
Valvoline Oil Co.
Wilbur-Ellis Co.
W. R. Grace & Co.

EMPLOYEE POPULATION: NON-SOUTH AFRICAN PERSONNEL

Sixty-eight firms responded to one or more of these questions:

How many of the subsidiary's employees are not South African?

What is the nationality of the managing director?

What is the nationality of the personnel director?

The 68 responding firms indicated that they employ a total of 1,154 persons who are not South African. These non-South African employees represent 0.03 percent of the total number of persons employed by U.S. firms in South Africa.

Ten firms employ only South African nationals:

The Carborundum Co.
Celanese Corp.
Donaldson Co.
Geosource Inc.
Grolier Inc.
M & T Chemicals Inc.
Smith, Kline & French Laboratories.
Tokheim Corp.
Van Dusen Air Inc.
Wilbur-Ellis Co.

Although the data was not requested, 18 firms indicated the number of Americans working in their South African operations:

American Cyanamid.
Colgate-Palmolive Co.
Control Data Corp.
CPC Inc.
Eli Lilly Co.
Exxon.
F & M Systems Co.
Ford Motor Co.
General Electric Co.
Goodyear Tire & Rubber Co.

IBM
International Harvester Co.
The John Deere Co.
Kendall Co.
Merck, Sharp & Dohme Inc.
Monsanto Co.
Nashua Corp.
Standard Brands Inc.

The Americans employed by these 18 firms represent less than 1 percent of the total employee population.

Twenty-eight of the firms employing non-South African personnel have managing directors who are not South African. These persons are of American, Australian, Canadian, Dutch, Irish and British nationality.

Two firms have personnel directors who are not South African. They are American and Dutch citizens.

58 percent of the firms with non-South African personnel employ 10 or less persons in this category. The mean average number of non-South Africans employed by the U.S. companies in this sample is just under two persons.

These are several firms which do employ a large number of non-South Africans. Ford, for example, has 240 non-South African employees; NCR has 200. However, in these two cases the non-South African personnel represent only a small percentage of persons employed by each firm: 4.9 percent and 0.5 percent for Ford and NCR respectively.

Overall, American businesses in South Africa appear to rely on South African manpower. Those firms which do employ a large number of non-South Africans are either large employers or require a certain degree of specialized training in the advertising or accounting fields.

EQUAL PAY

Seventy-one firms responded to one or more of these questions:

Does the subsidiary pay equal pay for equal work?

What difficulties does the subsidiary have in paying equal pay? (High wages for whites; inexperience of black workers; high demand for whites; or, strength of white unions?)

Mobil Oil, Monsanto and the Carborundum Company did not answer the above questions.

Seven firms stated that they do not pay equal pay for equal work:

Kellogg Co.
NCR Corp.
Norton Co.
Richardson-Merrell Inc.
Smith, Kline and French Laboratories.
TRW Incorporated
Valvoline Oil Co.

Among the various difficulties encountered in paying equal pay, four of these firms cited "high wages for whites;" three cited "high demand for whites;" and only one cited "strength of white unions." Six of the seven firms included "inexperience of black workers" as an obstacle; this would seem a main reason why companies do not pay, equal pay for equal work.

In additional comments, NCR indicated plans to formally initiate a single wage curve and to pay equal pay for equal work beginning in 1977. Valvoline and Norton both wrote that there companies are working toward closing the wage gap between black and white workers; thus wage increases are currently at a higher percentage for Africans and coloureds than for whites.

Of those 63 firms which do pay equal pay for equal work, 33 indicated that they have no difficulty doing so:

Arthur Andersen & Co.
Blue Bell Inc.
Caltex Petroleum Corp.
Caterpillar Tractor Corp.
Colgate-Palmolive Co.
CPC International Inc.
Donaldson Co.
Dow Chemical Co.
Eastman Kodak Co.
Eli Lilly & Co.
ESB Inc.
Esso Africa Inc.
Ford Motor Co.
General Electric Co.
Geosource Inc.
Goodyear Tire & Rubber Co.
Grolier Inc.
Helena Rubinstein Inc.
The John Deere Co.
Kendall Co.
M & T Chemicals Inc.
Merck, Sharp & Dohme Inc.
Miles Laboratories Inc.
Nabisco Inc.
Pfizer International Inc.
Preformed Line Products Inc.
A. H. Robins Co.
Rockwell International Corp.
Singer Co.
Standard Brands Inc.
Van Dusen Air Inc.
Warner Lambert Co.
Wilbur-Ellis Co.

Twenty-eight of the companies which stated they pay equal pay for equal work nonetheless marked difficulties in doing so. Twenty-six identified the "inexperience of black workers" as an obstacle. They indicated other difficulties as follows: eight cited "high demand for whites;" nine identified "high wages for whites;" and, four mentioned "strength of white unions."

Clearly, the inexperience of the black workers is the number one obstacle to paying equal pay for equal work. This is largely a result of (a) apartheid laws which have limited black access to training programs and job experience, and (b) poor and limited education available to non-whites.

A number of firms made comments to this effect, emphasizing black inexperience and those obstacles which prevent non-whites from raising their skill levels. Federal Mogul pointed out that the high demand for white personnel is not because they are white. Rather, it is because the white worker has the necessary education, training and job qualifications. Exxon, in behalf of Esso Africa, wrote, "Blacks who have the skills and educational background necessary to meet job requirements are in extremely short supply. Literacy is a major problem."

WAGES

Sixty-nine firms responded to one or more of these questions:

Does the subsidiary use a national standard to establish its minimum wage level?

If so, when did it first set a minimum level according to a standard survey?

What standard does the subsidiary use for its minimum level? (Bureau of Market Research Minimum Living Level, Bureau of Market Research Higher Living Level, University of Port Elizabeth Household Subsistence Level, University of Port Elizabeth Household Effective Level, Johannesburg Chamber of Commerce Minimum Effective Level, or Johannesburg Chamber of Commerce Poverty Datum Line).

The first question in this series must be eliminated from analysis. The author of the questionnaire intended the term "national standard" to apply to the six standard wages for non-whites listed in the third question; however, it was not so stated. Thus, many respondents interpreted "national standard" to mean the absolute minimum wage for a particular industry as set by the South African Government in the Wage Act of 1957. The overwhelming number of contradictory responses casts doubt on the reliability of any aggreagte analysis.

Nonetheless, it is noteworthy that the majority of firms which use a national standard to establish their minimum wage level indicated that minimum wage level was established in 1971 or 1972. This is the same mean date when firms initiated their equal employment opportunity policies.

Six firms stated that they use the Bureau of Market Research Minimum Living Level for their minimum wage:

Envirotech Corp.
Esso Africa Inc.
F & M Systems Co.
TRW Inc.
Union Carbide Corp.
Walter E. Heller International Corp.

Fourteen firms stated that they use the Bureau of Market Research Higher Living Level:

Borden Inc.
Bristol Myers International Corp.
Caltex Petroleum Corp.
Eastman Kodak Co.
Geosource Inc.
J. I. Case International.
Merck, Sharp & Dohme Inc.
NCR Corp.
Norton Co.
Otis Elevator Co.
Preformed Line Products Inc.
Valvoline Oil Co.

Walter E. Heller International Corp.
W. R. Grace and Co.

Seven firms stated that they use the University of Port Elizabeth Household Subsistence Level:

Borg Warner Corp.
Eli Lilly & Co.
Firestone Tire & Rubber Co.
Ford Motor Co.
Goodyear Tire and Rubber Co.
International Harvester Co.
Rockwell International Corp.

Two firms use both the University of Port Elizabeth Household Effective Level and the Johannesburg Chamber of Commerce Minimum Effective Level:

American Express Co.
Control Data Corp.

Six firms stated that they use the Johannesburg Chamber of Commerce Poverty Datum Line to set their minimum wage level:

American Cyanamid Co.
Eli Lilly & Co.
Kellogg Co.
Federal Mogul Corp.
McGraw-Hill Book Co.
Simplicity Pattern Co.

Eighteen firms stated that they use the Johannesburg Chamber of Commerce Minimum Effective Level:

AFIA Co.
American Express Co.
Borden Inc.
Colgate-Palmolive Co.
Control Data Corp.
American Cyanamid Co.
Dow Chemical Co.
Batten, Barton, Durstine & Osborn Inc.
Gillette Co.
Honeywell Inc.
The John Deere Co.
Helena Rubinstein Inc.
Kendall Co.
NCR Corp.
Richardson-Merrell Inc.
Schering Plough Corp.
Smith, Kline, and French Laboratories.
Tokheim Corp.

Two firms use the Urwick International Wage to set their minimum wage level:

Celanese Corp.
Donaldson Co.

Nabisco Incorporated uses the Biscuit Industrial Union Association standard to set its minimum wage. Singer stated that it uses the minimum level as set by the South African Wage Act of 1957 to establish the minimum wage. A. H. Robins sets its minimum wage as prescribed by the Industrial Conciliation Act No. 406 of October 1973.

Several firms qualified their use of a particular standard:

(1) Schering Plough uses the Johannesburg Chamber of Commerce Minimum Effective Level plus 28.6 percent.

(2) AFIA uses the Johannesburg Chamber of Commerce Minimum Effective Level as a guide, and actually maintains a minimum wage which is at least 50 percent higher than that standard.

(3) Dow Chemical uses the Johannesburg Minimum Effective Level plus 25 percent.

(4) International Harvester uses the University of Port Elizabeth Household Subsistence Level plus 10 percent.

(5) Norton uses the Bureau of Market Research Higher Living Level plus 50 percent.

(6) Arthur Andersen pays all of its employees on a salaried basis, and its lowest paid employee is compensated at a level "significantly higher" than the Johannesburg Chamber of Commerce Poverty Datum Line.

(7) Miles Laboratories considers all of the standards, but its wages are "simply higher".

(8) Catepillar Tractor's wages "far exceed minimum wages set by the South African Government as well as the so-called Poverty Datum Line and minimum equivalent levels".

(9) Esso Africa considers the Bureau of Market Research "Supplemental Living Wage" to be the most "reliable and liberal data-point." The lowest salary paid by an Exxon affiliate in South Africa is approximately 50 percent higher than the Bureau of Market Research Higher Living Wage.

(10) The Carborundum Company reviews all of the wage standards, and uses them only as "points of reference." Carborundum's wages are paid "at levels higher than those indicated".

(11) General Motors pays hourly rates above the Port Elizabeth Industrial Council minimums for starting employees. On the average a General Motors South African employee is paid 81 percent more than the "overall" South African wage.

(12) Standard Brands' minimum wage level is "higher than the market rate for the area".

(13) ITT wrote, "We set our own standards higher than South African standards." The entry wage for an ITT employee is $179 a month; the average wage for a black ITT employee is $286 a month.

(14) Union Carbide's base wages are "at least" 125 percent of the Bureau of Market Research Minimum Living Level.

(15) IBM's salary scales are higher than minimum wages issued by "various groups or authorities".

(16) Warner Lambert's minimum wage "exceeds published indices".

(17) General Electric wrote, "The minimum wage exceeds all minimum living level computations for a family of six as computed by the University of Port Elizabeth and the University of South Africa."

The Johannesburg Chamber of Commerce Poverty Datum Line (PDL) is a calculation of the lowest possible costs to maintain a household. This calculation indicates minimum living levels in poor communities; it is used in South Africa only for the non-white population, as are the other standards described below. The Primary Poverty Datum Line (PPDL) is a calculation of the lowest retail cost of necessities to maintain an individual or a household in good health. These necessities comprise the minimum amounts of: food, fuel and

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lighting, clothing, and cleaning materials for personal and household use. The Secondary Poverty Datum Line (SPDL) or Minimum Effective Level adds rent and transportation to work as necessities.

The PDL technique is merely a theoretical calculation of the lowest possible costs of subsistence living with no allowances made for expenditures other than those specified and without considering actual expenditures.

The University of Port Elizabeth standards replace the terms "Poverty Datum Line" and "Minimum Effective Level" with the terms "Household Subsistence Level" (HSL) and "Household Effective Level" (HEL). This change was made to escape the negative connotation of the word "poverty."

The HSL is based on the PDL and is calculated in the same manner. The only variation is that the PDL is generally calculated for a specific household taking in account the age and sex of the family members. In some cases, an "average" family make-up has been used to calculate the PDL for a particular region. The HSL is calculated only for an "average" family.

The Bureau of Market Research at the University of South Africa uses different standards. The Minimum Living Level (MLL) is the lowest sum possible on which a specific size household can live. Rational expenditure is rigidly assumed and thus the MLL is also a theoretical minimum. The Supplemental Living Level (SLL) provides for the purchase of more items than the MLL. Both standards encompass more than the HSL. Items included in calculating the MLL are: food; electricity; payments for rent, water, electricity and services; fuel and light; washing and cleaning materials; transportation to work, school and shopping; medical and dental services and medicines; education; taxes; and replacement of household equipment. The SLL adds recreation and entertainment; personal care; contributions to pension, unemployment, medical and burial funds; extra washing and cleaning materials; extra clothing, food, and household equipment; extra transportation; additional taxes; and additional rent. The MLL and the SLL are obviously more adequate in terms of maintaining a household over the long run.

The quality of wages paid by U.S. firms in South Africa ranges widely. There are, at one end of the spectrum, firms which compensate their non-white employees at the more "livable" level as defined by the MLL and the SLL. Those firms are:

Borden Inc.
Bristol Myers International Corp.
Caltex Petroleum Corp.
Eastman Kodak Co.
Envirotech Corp.
Esso Africa Inc.
F & M Systems Co.
Geosource Inc.
Merck, Sharp and Dohme Inc.
NCR Corp.
Norton Co.
TRW Inc.
Union Carbide Corp.
Valvoline Oil Co.
Walter E. Heller International Corp.
W. R. Grace and Co.

However, there are American firms in South Africa which pay non-whites according to the other, considerably lower standards. Thus, wages paid by the following firms may cover only those expenses necessary for basic survival:

American Express Co.
Batten, Barton, Durstine and Osborn Inc.
Borden Inc.
Borg Warner Corp.
Colgate-Palmolive Co.
Control Data Corp.
American Cyanamid Co.
Eli Lilly and Co.
Federal Mogul Corp.
Firestone Tire & Rubber Co.
Ford Motor Co.
Gillette Co.
Goodyear Tire & Rubber Co.
Honeywell Inc.
The John Deere Co.
Helena Rubinstein Inc.
Kellogg Co.
Kendal Co.
McGraw-Hill Book Co.
NCR Corp.
Richardson-Merrell Inc.
Rockwell International Corp.
Simplicity Pattern Co.
Smith, Kline and French Laboratories
Tokheim Corp.

Some noteworthy facts: only four of the firms whose wages may not adequately support a household previously responded that they did not pay equal pay for equal work (Kellogg Company, NCR Corporation, Richardson-Merrell Incorporated and Smith, Kline and French Laboratories); three of those firms operate large labor-intensive manufacturing plants in South Africa (Firestone Tire and Rubber, Goodyear Tire and Rubber and Ford Motor Company).

BLACK PROMOTION

Sixty-four firms responded to one or more of these questions:

What are the major obstacles to black promotion?

Government restrictions in Physical Planning Act, Bantu Labor Act, separate facilities regulations under the Factories or Shops and Offices Act, Group Areas Act, Industrial Conciliation Act and/or the Apprenticeship Act;

Opposition from white unions, white artisans, white workers, white customers and/or from local management; and

What have been the incentives to the subsidiary to adopt more progressive practices? (Need to raise productivity; absenteeism/turnover problems; exceptional wage demands; shortages of trained manpower; pressure from home office; public pressures).

Six firms did not respond to these questions:

Carborundum Co.
CPC International Inc.
Eastman Kodak Co.

Mobil Oil Corp.
Tokheim Corp.
Warner Lambert Co.

Fifteen firms indicated they experience no major obstacles to black promotion in their South African operations, and they responded only to the final question:

Arthur Andersen & Co.
Batten, Barton, Durstine & Osborn Inc.
Cascade Corp.
Caterpillar Tractor Corp.
Dow Chemical Co.
Dun & Bradstreet Inc.
Eli Lilly & Co.
Geosource Inc.
Miles Laboratories Inc.
Preformed Line Products Inc.
Simplicity Pattern Co.
Singer Co.
Van Dusen Air Inc.
Walter E. Heller International Corp.

Forty-one firms identified restrictions in South African law as obstacles to black promotion:

Physical Planning Act	4
Bantu Labor Act	7
Separate shop and office laws	18
Group Areas Act	5
Industrial Conciliation Act	18
Apprenticeship Act	14

In additional comments, Bristol Myers discussed the implications of the restrictions in one of these South African laws:

> Although theoretically one could hire a highly educated black such as a pharmacist, it might be difficult for that individual to find satisfactory housing because of the Physical Planning Act.

The responding firms also identified racial obstacles to black promotion:

Opposition from white unions	7
Opposition from white artisans	8
Opposition from white workers	17
Opposition from white customers	15
Opposition from local management	5

In addition, 10 firms added poor education, and lack of experience as a major obstacle to black promotion. Some firms indicated that poor education and experience was the number one obstacle. Exxon wrote that its affiliates in South Africa "have found that the greatest obstacles to promoting black personnel has not been Government restrictions, but the lack of properly qualified candidates."

In supplementary comments, the companies expressed less concern for the constraints in South African law than for racial prejudices. This excerpt from Bristol Myers' response illustrates the views expressed by several firms:

> A major obstacle to black promotion is the attitude of whites. The subsidiary still has difficulties in a few isolated areas in having black merchandisers work in a supermarket

> unless accompanied by a white employee. Depending upon the particular position involved there could be objections in having blacks and whites working together in the same room.

There are even obstacles within the black community itself. American Cyanamid added this comment to their response:

> When suitable Blacks are found their faster progression causes serious resentment by the illiterate and low-level majority of Black workers. Coupled with this is the tendency for white production supervisors to perfer the more servile, illiterate Blacks. They tend to clash with the better educated workers or fail to develop them to their full potential.

Fifty-nine firms identified incentives to adopt more progressive business practices:

The need to raise productivity	36
Absenteeism-turnover problems	19
Wage demands	4
Shortages of trained manpower	34
Pressure from the home office	18
Public pressures	6

These responses indicate that U.S. firms in South Africa generally operate on their own; only 18 firms (33 percent) indicated that the home office exerted pressure on them to change their labor practices. Public pressure is even a less significant influence; only 11 percent of the firms apparently find public pressure a significant influence on their policies and operations.

Overall, the major incentive for adopting more progressive business practices has been, as stated by Exxon, one of "enlightened self-interest:"

> . . . a recognition that companies such as ours have an obligation to accept a fair measure of responsibility for the establishment of a healthy, prosperous, well-functioning society, and that to do so is essential to the future health and profitability of our business.

TRAINING

Sixty-eight firms responded to one or more of these questions:

Does the subsidiary have a formalized training program?

Is the subsidiary taking advantage of the government's tax incentives for training?

Is the subsidiary participating in any of the industrial training centers recently established in urban areas?

Thirty-nine firms indicated that they have a formalized training program for their employees in South Africa. Twenty-four provide only "ad hoc", or on-the-job training.

As indicated by previous responses, training is a vital factor in carrying out progressive business policies such as equal employment opportunity and equal pay for equal work. It is an essential ingredient in the movement to raise the social and economic level of non-whites in South Africa. In testimony before the Subcommittee, General Motors emphasized this point: "Many of our African employees and their families obtain much of their education as a result of GMSA's presence in South Africa." In many situations, black or coloured nearly doubled as a proportion of total foreign investment. This represented an increase in the proportion of credit as opposed to ownership in the economy, and a move in the direction of greater liquidity and a rapid return on investment that raised the debt burden of South Africa. By end-1976, South Africa's overseas debt equaled $7.6 billion, of which $2.2 billion, or nearly one-third of all bank claims on South Africa, was owed to U.S. banks and their foreign branches.

The primary borrowers of international credit are not private commercial enterprises, but the South African Government and its agencies which, until recently, relied on gold and direct foreign investment for economic growth. But in the 1970's—and especially in the period from 1974 to 1976—international credit provided much of the financing for the Government's infrastructure projects, and for its increased strategic imports (defense and oil). Of the identified international credit extended to South Africa in the critical 1974–76 period, only $444 million went to private sector borrowers as compared to over $3 billion to the public sector.

The $2.2 billion of American credit outstanding in 1976 is roughly equivalent to the amount of foreign exchange required to cover South Africa's defense and oil imports costs for the same year, based on figures from South African sources and the United Nations. The cost of defense and oil quintupled between 1973 and 1976—from an estimated $400 million to an estimated $2 billion. In spite of increased foreign exchange shortages resulting from the fall in the price of gold, South Africa was largely successful in developing its infrastructure in many vital economic sectors, in stockpiling oil, and in upgrading and modernizing its military. International credit filled the gap, directly supporting the South African Government in its desire for greater economic and strategic self-sufficiency, and permitting Pretoria to pursue what was a strategic investments policy, aimed at fortifying its security and defense-related projects. The American banks providing the bulk of U.S. credit to South Africa include Chase Manhattan Bank, Citibank, Irving Trust Company, Bank of America, Manufacturers Hanover Trust, Central National Bank of Cleveland, Morgan Guaranty, First Wisconsin National Bank, Pittsburgh National Bank, Chemical Bank, and the Bank of Boston.

U.S. trade expansion credit agencies have likewise played a role in carrying South Africa forward during the years of economic recession and heightened strategic investments. The Export-Import Bank of the United States, which insures, guarantees, and discounts credits which finance U.S. trade, authorized $205.4 million for South Africa over the period 1972 to 1976. Of this amount, $141.7 million was for insurance and $63.7 million for loan guarantees. Another U.S. agency, the Commodity Credit Corporation, financed $46.2 million worth of commodities for export to South Africa from 1972 to 1976. These agencies are designed to promote trade and do not directly provide credit to the South African Government. However, they have financed transactions of U.S. private corporations which deal directly with the South African Government or government-controlled agencies, thereby facilitating the fulfillment of Pretoria's economic and strategic priorities. Total U.S. trade with South Africa reached a peak of $1.3 billion in 1976, surpassing that of the United Kingdom, France, West Germany, or Canada.

South Africans have no education or job training opportunities withour the assistance of their employer.

Only five firms stated that they do not provide any kind of training for their employees:

Batten, Barton, Durstine & Osborn Inc.
Nashua Corp.
A. H. Robins Co.
Simplicity Pattern Co.
Wilbur-Ellis Co.

Nineteen firms are taking advantage of the government's tax incentives for training:

Caltex Petroleum Corp.
J. I. Case International.
Carborundum Co.
Celanese Corp.
Control Data Corp.
Eastman Kodak Co.
Firestone Tire and Rubber Co.
International Harvester Co.
IBM.
ITT.
The John Deere Co.
Kellogg Co.
NCR Corp.
Otis Elevator Co.
Preformed Line Products Inc.
Norton Co.
Rockwell International Corp.
Standard Brands Inc.
Ford Motor Co.

Colgate-Palmolive is awaiting approval of their training program; Goodyear Tire and Rubber is "working toward the goal" of being able to take advantage of a tax rebate.

Under the 1974 Budget and Income Tax Act No. 85, tax concessions are made available from the South African Government to firms which register approved training programs and/or utilize Government resources available for training of skilled and unskilled workers. Under existing tax regulations, the costs of approved training programs for black workers can be "double deducted" for tax purposes from the firm's gross income. However, Section 2 of the Income Tax Act indicates that concessions are available only for training blacks already in permanent employment for purposes of upgrading acquired skills; it does not extend to training employees as they initially enter the work force.

Eleven firms are participating in the industrial training centers:

Caltex Petroleum Corp.
J. I. Case International.
Control Data Corp.
Envirotech Corp.
Firestone Tire & Rubber Co.
International Harvester Co.
IBM.
ITT.
The John Deere Co.

NCR Corp.
Standard Brands Inc.

One of Exxon's affiliates, Esso Standard South Africa Limited, does not participate in the training center program, but supports it through donations.

The Bantu Education Department administers the training centers for non-whites. These centers were set up with South African Government funding, but depend on private sources for ongoing operations and expansion. After attending an approved full-time course at one of the training centers, a graduate receives a certificate in a particular trade, designating a certain skill level; these certificates are accepted in white and black areas throughout the country.

Industrial training centers are, however, limited by region and not all of the responding firms could participate if they wished to do so. Nabisco wrote that the government "offers no program" relative to their business "in their area of the country." American Cyanamid explained that the nearest industrial training center is 70 miles away from its plant, and thus inconvenient for workers to attend; furthermore, no known courses in chemical operations have been given. American Cyanamid intends to send potential operators and artisans to newly established technical schools in the Homelands.

This series of questions may have been misinterpreted by some respondents. The phrase "formalized" was not clearly defined, and firms may have responded "no" when in fact their answer should have been "yes." For example, International Harvester and Control Data stated that they do not have a "formalized" training program, and that they take advantage of the tax incentives for training. One of the two statements must be incorrect. To qualify for the tax rebate, a firm must have a government-approved, full-time and in-house training school for its employees.

WORKER REPRESENTATION

Sixty-five firms responded to this question:

Does the subsidiary have white unions, coloured unions, African unions, works committees, liaison committees and/or combined works-liaison committees?

Sixteen firms indicated that they have no sort of worker representation at all:

Batten, Barton, Durstine & Osborn Inc.
Cascade Corp.
Dow Chemical Co.
Dun & Bradstreet Inc.
Federal Mogul Corp.
Geosource Inc.
IBM.
McGraw-Hill Book Co.
M & T Chemicals Inc.
Nashua Corp.
Singer Corp.
Rockwell International Corp.
Smith, Kline & French Laboratories.
Valvoline Oil Co.
Van Dusen Air International.
Wilbur-Ellis Co.

Walter E. Heller and J. I. Case responded that this question was "not applicable" to their business operations in South Africa. IBM clarified their negative response with this statement:

> IBM South Africa believes in respect for the individual and prefers dealing on an individual basis with employees. There are at present no unions representing employees in the data processing industry. Should that change, we will evaluate the situation.

Forty-five firms indicated some sort of partial worker representation.

Of those firms with partial worker representation, 15 have white unions; 9 have coloured unions; 8 have works committees; 32 have liaison committees; and, 7 have combined works-liaison committees.

Only one firm, Blue Bell Incorporated, marked the space indicating it had an African union. However, it also answered "no" to the questions, "Does the subsidiary recognize and negotiate with an African union?" and "Would it be willing to do so?"

Twenty-two of those firms with partial representation have only one kind of worker representation in their South African operation. Of these firms, liaison committees are the single form of worker representation in 17 cases; 3 firms have works-liaison committees; 4 other firms have only works committees.

AFRICAN UNIONS

Sixty firms responded to one or more of these questions:

Has the subsidiary been approached by African union organizers?

Does the subsidiary recognize and negotiate with an African union?

Would it be willing to do so?

How many workers must a union represent in order to gain subsidiary recognition?

Sixteen firms did not provide answers to the above questions:

- American Express Co.
- Arthur Andersen & Co.
- Batten, Barton, Durstine & Osborn Inc.
- Carborundum Co.
- Cascade Corp.
- J. I. Case International.
- CPC International Inc.
- ESB Inc.
- General Motors Corp.
- IBM.
- Kendall Co.
- Miles Laboratories Inc.
- Monsanto Co.
- Pfizer International Inc.
- Van Dusen Air Inc.
- Union Carbide Corp.

Arthur Andersen, the Kendall Company, J. I. Case and American Express stated that these questions were "not applicable" to their business operations in South Africa.

Only seven firms reported having been approached by African union organizers:

Blue Bell Inc.
F & M Systems Co.
Firestone Tire & Rubber Co.
Ford Motor Co.
Gillette Co.
Kellogg Co.
Otis Elevator Co.

F & M Systems, Firestone Tire and Rubber, and Ford Motor stated that they would be willing to recognize and negotiate with an African union.[1] The Gillette Company would not be willing to negotiate with an African union; Kellogg did not answer the question.

At the time of this writing, none of the 60 respondents recognize and negotiate with an African union. However, 33 would be willing to do so. Only five firms would not be willing to recognize and negotiate with an African union:

Dun & Bradstreet Inc.
F & M Systems Co.
Gillette Co.
Grolier Inc.
Richardson-Merrell Inc.

Walter E. Heller responded that it was "not sure" if it would be willing to do so.

Only a portion of the respondents provided information on company policy for recognition of unions. Of the 17 firms which did respond, TRW Incorporated requires 100 percent worker representation; 9 require a union to represent 75 percent of the workers in order to gain recognition; 6 firms require a union to represent 50 percent of the workers; Otis Elevator requires 30 percent representation.

There were a number of qualifying statements made pertaining to union recognition. Honeywell Incorporated stated that a union must represent 75 percent "of the workers in a specific discipline." Goodyear Tire and Rubber stated a union must represent 50 percent of the workers "in the industry." Other firms were even less specific and indicated recognition depended "on the circumstances."

The extent to which American firms operating in South Africa actually support the development of African worker representation does not seem to go beyond "lip service." Although most of the firms stated they would be willing to recognize and negotiate with an African union, not a single one did at the time. Moreover, the qualifying statements would inhibit if not preclude union recognition, since the 75 percent and 100 percent representation requirements are unrealistic.

This conclusion is supported by the IRRC report, "Labor Practices of U.S. Corporations in South Africa," which contains a summary statement submitted by Firestone. This firm wrote IRRC that its position on unions was "no more negative than most other U.S. companies in South Africa: we will deal with any properly established union, but will not go out of our way to encourage their formation" (p. 77–78).

[1] See previous section on "Worker Representation" for discussion of Blue Bell's responses re African unions.

REPRESENTATIONS TO THE SOUTH AFRICAN GOVERNMENT

Sixty-nine firms responded to one or more of these questions—

Has the subsidiary ever contacted the South African Government to request an exemption under such laws as the Physical Planning Act or the Industrial Conciliation Act?

Has the subsidiary ever been contacted by government officials for violations of laws relating to labor practices?

Has the subsidiary ever been fined by the government for violations of laws relating to labor practices?

Has the subsidiary in the past two years made representations to the government on its specific policies governing labor mobility, housing, education, training or specific jobs?

Has the subsidiary in the past two years encouraged the Federated Chamber of Industries or the Associated Chambers of Commerce to make representations on any issue?

Twenty-two firms responded "no" to all of the above questions:

Abbott Laboratories.
AFIA Co.
American Express Co.
Arthur Andersen & Co.
Batten, Barton, Durstine & Osborn Inc.
Blue Bell Inc.
Caltex Petroleum Corp.
Cascade Corp.
Celanese Corp.
Dow Chemical Co.
ESB Inc.
F & M Systems Co.
Federal Mogul Corp.
Geosource Inc.
Grolier Inc.
M & T Chemicals Inc.
Miles Laboratories Inc.
Monsanto Co.
A. H. Robins Co.
Simplicity Pattern Co.
Van Dusen Air Inc.
Walter E. Heller International Corp.

Twenty-eight firms have contacted the South African Government to request an exemption under a labor-related law. Of these firms, four indicated they received the exemption as requested.

(1) Eastman Kodak responded in essay form, "from time to time, Kodak South Africa has been able to secure exemptions from the provisions of these laws as circumstances warranted."

(2) An Exxon affiilate, Esso Standard South Africa Limited, contacted the South African Government in 1972/73 for an exemption under the Physical Planning Act to transfer all blacks to a new office location; permission granted "without difficulty." In contravention of the Industrial Conciliation Act, Esso Standard has sought waivers to replace white employees with blacks.

(3) Merck, Sharp and Dohme has on three occasions received approval to employ a larger number of blacks.

(4) In 1968, General Motors was granted a partial exemption from the law which reserves certain jobs for whites or coloureds. In addition, General Motors has "minimized the effect" of the Separate Shop and Offices Act and the Industrial Conciliation Act.

Eleven firms indicated that they have been contacted by SAG officials for viloation of laws relating to labor practices:

Bristol Myers International Corp.
Caterpillar Tractor Corp.
Ford Motor Co.
Honeywell Inc.
IBM.
Nashua Corp.
Norton Co.
Rockwell International Corp.
Singer Co.
Standard Brands Inc.
W. R. Grace and Co.

Of these eleven firms, two have been fined for their violations of labor laws:

(1) Rockwell International indicated that the nature of their violation and the amount of the fine were both "minor".

(2) W. R. Grace was fined the equivalent of $35 for a violation relating to employee registration.

Twenty-six firms have made representations to the government on its policy governing labor-related issues. Labor mobility and housing were most often cited as the issues brought up by a U.S. firm to the South African Government.

Exxon wrote that their affiliates' representations to the government had been successful. Esso Standard South Africa Limited and Esso Chemical Limited each secured SAG approval for housing programs for their black employees.

Twenty-five firms stated that they have encouraged the Federated Chamber of Industries or Associated Chambers of Commerce to make representations to the Government. Of these twenty-five firms, Eastman Kodak is a member of the South African Chamber of Commerce and the Federated Chamber of Industries; Schering Plough is a member of the Johannesburg Chamber of Commerce; Caterpillar Tractor management personnel are members of the Industrialists' Association and the Executive Council of the Transvaal Chamber of Industries.

In testimony before the Subcommittee, IBM spoke in favor of American businesses in South Africa joining together to form a chamber of commerce. In behalf of IBM, Vice Chairman Gilbert Jones stated, "In my view, one of the first priorities for such a group should be the inauguration of new training programs—coupled with an effective effort that would guarantee all graduates a meaningful job and the prospect of a career."

Several firms which have not approached the Government on labor-related issues indicated that it was best not to do so. For example, CPC International wrote:

> Since official answers to questions about employment and labor practice regulations tend to be quite literal and stringent, it has been our experience that more can sometimes be done for our employees if certain questions are not raised.

Overall, U.S. companies in South Africa are not taking an aggressive role with the South African Government on labor-related issues.[2] The low rate of reprimands and fines for labor law violations indicates that American businesses are probably operating within the law of the apartheid system. Abbott Laboratories added this comment to their response:

> Abbott recognizes the problem of South Africa's "apartheid" policies and within the restraints of a commercial enterprise and the laws of South Africa, we are committed to improvement.

Firms frequently amended tbeir responses on equal employment, equal pay and black promotion with comments to indicate that their actions were within the limits of South African law, or were as extensive as South African law would permit.

Moreover, the fact that less than half of the responding firms have requested exemptions from certain laws raises doubts as to how effectively firms are enforcing their equal employment policies, carrying out their training programs, or conducting their businesses in a manner which does not support the systematic and bureaucratic continuation of racial discrimination.

It would be unreasonable to expect American firms to act in outright contravention of host country law. However, it is not unreasonable to hope that a greater number of American firms could attempt to behave in a manner which does not perpetuate or strengthen the apartheid system.

REPRESENTATIONS TO THE UNITED STATES GOVERNMENT

Sixty-seven firms responded to one or more of these questions:

Does U.S. policy affect your subsidiary's ability to do business in South Africa?

Have you met with U.S. Government officials to discuss aspects of U.S. policy that might be changed?

Would your operations in South Africa be seriously affected by changes which tighten U.S. policy toward South Africa and end all Export Import facilities, or end tax credits to companies which invest in South Africa after January 1977?

Ten firms responded "no" to all of the above questions:

- Batten, Barton, Durstine & Osborn Inc.
- Dow Chemical Co.
- F & M Systems Co.
- Kellogg Co.
- M & T Chemicals Inc.
- Monsanto Co.
- Nabisco Inc.
- Simplicity Pattern Co.
- Smith, Kline and French Laboratories.
- Wilbur-Ellis Co.

Four firms did not respond to the above questions in any way:

- Borden Inc.
- The Carborundum Co.

[2] See Appendix C, J. Davis (American Committee On Africa), comments re U.S. Corporate Manifesto for South Africa.

CPC International Inc.
Eastman Kodak Co.

Warner-Lambert indicated that they have "no record" of any representations.

Thirteen firms indicated that U.S. policy affects their ability to do business in South Africa:

J. I. Case International.
Celanese Corp.
American Cyanamid Co.
General Electric Co.
Merck, Sharp & Dohme Inc.
Mobil Oil Corp.
IBM.
ITT.
NCR Corp.
Norton Co.
Rockwell International Corp.
Standard Brands Inc.
Tokheim Corp.

Caltex Petroleum responded that U.S. policy "does not at present" affect their business operations in South Africa.

Only three firms explained the manner in which U.S. policy affects their businesses:

Rockwell International and IBM are affected by trade restrictions on military components and by the prohibition on trade with Rhodesia.

Merck, Sharp and Dohme indicated the re-export to Rhodesia of U.S.-origin goods is limited to those covered by license.

Seven firms have met with U.S. officials:

American Cyanamid Co.
Exxon Oil Corp.
Ford Motor Co.
ITT.
Norton Co.
Tokheim Corp.
W. R. Grace & Co.

Exxon and W. R. Grace provided additional information on the nature of their contact with United States Government representatives:

(1) Exxon wrote:

> Although we have met with U.S. Government officials from time to time on various matters of mutual concern, at no time have we suggested aspects of U.S. policy that might be changed.

(2) W. R. Grace's South African managing director and the New York management both "maintain contact" with the U.S. Embassy.

The relationship of American corporations to U.S. foreign policy is currently a well-debated issue. Many critics are concerned about the morality and/or practicality of using private U.S. business interests as a vehicle through which to implement U.S. foreign policy goals, or to express official U.S. opposition to the actions of other governments. With respect to South Africa, the issue is whether the reduction or withdrawal of American business operations in that country, or the threat of such would contribute to political, social and economic change.

In testimony before the Subcommittee, IBM, General Motors and Union Carbide expressed opposition to this idea, and specifically, opposition to the withdrawal of American firms from South Africa. On behalf of IBM, vice chairman Gilbert Jones submitted the following in a prepared statement:

> Suppose IBM were to get out of South Africa? What would such withdrawal mean? It would mean, first, that our 1,457 people would lose their jobs. . . .
>
> Second, withdrawal is unlikely to have any effect on racial discrimination or its economic underpinning. All U.S. corporations together have only about 15% of foreign investments in South Africa. British companies, with about 58%, are major investors. Considering the number of competitors in the computer field, an IBM, or even a U.S. withdrawal from South Africa is unlikely to result in anything more than the substitution of the systems of other manufacturers for those removed. Third, withdrawal would set a precedent which no thoughtful American would welcome: a precedent of taking foreign policy out of the hands of government and putting it into the hands of corporations.

General Motors pointed out that in their sector of the South African economy, automotive manufacturing and sales, U.S. companies account for approximately 30 percent of South African sales.

Today, the Japanese account for more than 24 percent of all passenger car sales in South Africa. In the event of the withdrawal of U.S. competition, the Japanese could expand their portion of the market.

Union Carbide also commented on the issue of U.S. withdrawal, emphasizing the adverse effects on their employees:

> We are convinced that changes in U.S. policy aimed at forcing U.S. companies out of South Africa—by direct legislation or indirectly by excessive taxation, will not serve the national interest. If we were forced to abandon our investments in South Africa, our facilities would continue to be operated by our successors. Our successors are not as likely, at this time, to have the same commitment to equality and to improving the lot of black and coloured employees, and those employees may be the big losers in such an event.

Many other firms opposed withdrawal from South Africa for the sake of their non-white employees. As Kodak wrote, "Our belief is that our continued presence in South Africa is in the best interests of our employees in that country. . . . We constantly strive to ensure that all employees are treated with equality, integrity and fairness."

Another policy alternative to influence relaxation of apartheid is multilateral pressure on the South African Government. This, too, is opposed by several American firms. Abbott Laboratories wrote that "the possibility of international political pressure and possible boycotts and sanctions could adversely affect the operation" of their business in South Africa.

Thirty-one firms responded that they would be affected if Export-Import Bank facilities were ended.

Fifty firms stated that their operations would be seriously affected if tax credits were ended to firms investing in South Africa after January 1977.

Twenty-seven of the responding firms indicated that both of these changes would affect their South African business activities.

The U.S. foreign tax credit is clearly vital to the continued and profitable operations of American firms in South Africa. Exxon wrote:

> If there were no U.S. foreign tax credit, the effective tax rate on their earnings by Exxon's affiliates in South Africa would rise from the present level of 49–50 percent to a level of 74 percent.

For opposing arguments in favor of reducing or withdrawing U.S. investments, see the statement by The American Committee on Africa, of 74 Appendix C.

INVESTMENT PLANS

Sixty-eight firms responded to one or more of these questions:

Does your company expect to make a significant new investment (equal to 25 percent of current assets in South Africa) in the next two years?

Have your operations been affected by recent unrest?

Do you anticipate any alteration in your plans for further development of your operations as a result of recent unrest?

Of those firms which did respond, 31 answered "no" or "not applicable" to all of the above questions:

AFIA Co.
Batten, Barton, Durstine & Osborn.
Blue Bell Inc.
Borg Warner Corp.
Caltex Petroleum Corp.
J. I. Case International.
Caterpillar Tractor Corp.
Control Data Corp.
Donaldson Co.
Dow Chemical Co.
Eastman Kodak Co.
Eli Lilly and Co.
Ford Motor Co.
International Harvester Co.
ITT.
The John Deere Co.
Kendall Co.
Miles Laboratories Inc.
Mobil Oil Corp.
Monsanto Co.
Nabisco Inc.
NCR Corp.
Otis Elevator Co.
Rockwell International Corp.
Shering Plough Corp.
Smith, Kline and French Laboratories.
Standard Brands Inc.

Corporate Activities

AGGREGATE AMERICAN INVESTMENT

The book value of American corporate investment in South Africa by 1976 was $1.665 billion, or 37.3 percent of total American investment in Africa. South Africa's attractiveness to foreign investors, however, appears to be declining. The U.S. Department of Commerce reports that reinvested earnings of U.S. subsidiaries in South Africa last year amounted to $73 million and new equity investment of these firms increased by only $9 million. This compares with a total of $584 million in reinvested American earnings and $256 million in equity increases by U.S. firms for the continent as a whole. Repatriation of dividends and other earned income from South Africa was $125 million in 1976 as contrasted with $177 million from Libya and $174 million from Nigeria.

It is probably too early to determine if the declining attractiveness of South Africa for foreign investors is simply a temporary phenomenon resulting from the economic and political uncertainties of the last few years or the beginning of a general pattern of shifting U.S. economic interests that will continue in spite of an expected economic recovery. Historically, the corporate role of the United States in South Africa has been expanding since the end of the last century, with a notable increase in the last decade. According to the United Nations,[1] United States direct investment between 1960 and 1975 increased by more than 300 percent and represents approximately 16 percent of the total foreign investment in South Africa today. Although there are more than 250 American corporations operating in South Africa, only about a dozen or so are said to account for three-fourths of the total value of American investment in the country.

TOP U.S. CORPORATIONS

While aggregate figures are available indicating the scope of American economic interests in South Africa, few details are known about the activities of individual firms and the precise role they play with respect to social and economic change. The extent of this lack of knowledge was indicated when the Subcommittee attempted to obtain a list of the top 10 or 15 American companies doing business in South Africa. It was found that no such authoritative list exists and the identification of the largest U.S. firms rests upon the source and the criteria one chooses to use.

According to the National Council of Churches,[2] whose estimates are used by the United Nations, the 13 largest U.S. firms, in order of size of assets, are:

> General Motors, Mobil Oil, Exxon, Standard Oil of California, Ford Motor Co., ITT, General Electric, Chrysler, Firestone, Goodyear, 3–M (Minnesota Mining and Manufacturing), IBM, and Caterpillar.

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[1] "Activities of Transnational Corporations in Southern Africa and the Extent of their Collaboration with the Illegal Regimes in the Area," U.N. Economic and Social Council, Apr. 6, 1977.

[2] "Church Investment, Corporations and South Africa," (New York: Friendship Press, 1973).

TRW Inc.
Valvoline Oil Co.
Wilbur-Ellis Co.
W. R. Grace and Co.

Three firms expect to make a significant new investment in South Africa in the next two years:

(1) American Cyanamid, which has not been affected by recent unrest in South Africa, expects 25 percent of their new investment to come from retained earnings, and 50 percent to come from overseas borrowing;

(2) Esso Minerals Africa Incorporated, an Exxon affiliate, also unaffected by recent unrest, responded in essay form, "As a newly established prospecting company, Esso Minerals' plans have not yet fully crystallized, but it is of course hopeful that its current exploration efforts will lead to an investment opportunity".

(3) Preformed Line Products, not affected by recent unrest, expects 50 percent of new investments to come from retained earnings, and 25 percent to come from overseas borrowing.

Twenty-nine firms indicated that their operations have been affected by recent unrest. Of those firms affected, however, only eight anticipate alteration in their plans for future development as a result of that unrest. Overall, the effects of civil unrest in South Africa on American business operations appear to be minimal, as illustrated in the following comment by Bristol Myers:

> The recent unrest created a minimum of disturbance to our subsidiary's operations since most of the unrest occurred in Soweto which is not the area where most of the black workers reside. There was one week in which no black workers reported to the Johannesburg office and black salesmen were prevented from visiting Soweto because their lives were endangered.

Caterpillar Tractor wrote that during a three-day call for black employees to stay away from work their subsidiary experienced absenteeism of 20 percent, 15 percent and 10 percent. "Some" IBM employees did not go to work, but the disruption was only temporary. Although firms indicated their operations were affected only slightly, they did point out that the unrest has had negative effects on the South African economy and black employment.

With regard to future investment, it appears that U.S. companies are waiting to see how the political, economic, and social issues in South Africa are resolved. In essay responses firms emphasized that their investment decisions consider each of these issues, and stability is of course the desired climate.

Twenty-eight of the responding firms wrote that they anticipate a relaxation of racial discrimination, and the integration of non-whites into South African society. Exxon expressed this view, and detailed some of the specific actions which might accompany the relaxation of apartheid:

> Within the next five to ten years, it is possible that there might be a considerable relaxation of South African laws pertaining to black home ownership. The granting of freehold land and home ownership to blacks could create a more acceptable social environment for African workers. Other

changes might include government permission for industry and business to operate in black areas, some business ownership by blacks, and compulsory education for blacks.

Such developments would not only raise the status of non-whites in South Africa; firms wrote that an end to institutionalized racial prejudice will also affect the whole of the South African economy. As the Donaldson Company wrote, it "should make for a far more stable and wealthier South Africa."

Many companies stated that they look forward to the integration of non-whites in South Africa. 62 percent of the responding firms view the relaxation of aparthied law positively, in particular as it will benefit their business operations in South Africa. The following comments represent the changes and anticipated results foreseen:

(1) NCR Corporation wrote:

> It is anticipated that the Government will soften its racial attitude over the next few years, which will generate in the long-term a more healthy economic and social situation, which in turn should improve the prospects of our business operations.

(2) The TRW Corporation wrote:

> A more relaxed attitude by local government to more integration of whites and non-whites and the decrease in the wages gap between these two groups will result in a boost in the local car market mainly from the participation of non-whites in the new vehicle sales which has a direct influence on our business operation.

(3) American Express anticipates a gradual development of a more relaxed racial policy by the Government which would improve their business operation; rapidly improving earnings of non-whites will also improve their market potential.

In conjunction with the expansion of black rights, a number of firms stated that they anticipated a rapid development of a federated South Africa. Five (5) firms wrote that an accelerated homelands policy is a certain future development for South Africa:

AFIA Co.
American Cyanamid Co.
Arthur Andersen and Co.
Control Data Corp.
Monsanto Co.

International Harvester commented on the homelands policy, and its effect on their business operations. "Foreign investment in Homeland will increase demand for products, especially in the agricultural sector."

A small number of the responding firms presented a pessimistic view of future social, political and economic developments in South Africa. Only three firms commented on the possibility of "non-free world" takeover in South Africa:

AFIA Co.
Rockwell International Corp.
Wilbur-Ellis Co

Rockwell International wrote, the "need for western involvement is critical to the growth of South Africa to prevent non-free world elements from takeover."

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Several firms also indicated that if apartheid continues, there will be unrest in South Africa. AFIA Company comments express this view as well as other views typical of the responding firms.

> Increasing participation of the black man in all aspects of government, local government, industry and commerce, with the continuing abolition of apartheid laws, and increasing worldwide acceptance of the theory of Bantu homelands culminating in a Federation of States of South Africa. These developments must improve business opportunities.
>
> On the other hand, as there is no quick political solution, if the increasing influence of Communism in South Africa is not halted by the Western nations, terrorist activities will spread, resulting in severely restricted business opportunities and unrest in South Africa for an unforeseeable period of time.

Firms also warned that apartheid cannot be relaxed without accompanying educational and economic opportunities for non-whites. As non-whites attain the right to move more freely in South African society it will be essential that they have the necessary skills to compete within the economic system. American Cyanamid wrote, "The drive for adult black education will need intensive support to avoid the dangerous effects of a large mass of uneducated unemployed."

III. APPENDICES

Appendix A

Africa Survey (A)

QUESTIONNAIRE ON U.S. BUSINESS ACTIVITIES IN SOUTH AFRICA

Return to: Senate Committee on Foreign Relations
4229 Dirksen Senate Office Building
Wash-ngton, D.C. 20510

I. Operations in South Africa: It would be helpful to the Subcommittee to have a profile of your operations in South Africa. The profile should include the following information:

A. Year company operations initiated in South Africa ________

B. Type of operations, products manufactured and sold ________

C. Sales:

1. as a percentage of total worldwide sales ________

2. as a percentage of total overseas sales ________

3. as a percentage of the South African market for that product ________

4. percentage increase in this year's sales over last year's ________

5. estimated growth in sales next year:

in dollars ________
in volume ________

estimated growth in next five years:

in dollars ________
in volume ________

D. Employee Population and Wages

Please fill the charts attached in Appendices A and B showing the n employees in 1973 and 1976 by race, average wage and job category.

II. Company Policy: The Subcommittee is interested in obtaining from companies a statement of their policy governing both their employment practices and their sales in South Africa.

A. Employment practices policy

1. Does the company have an equal employment opportunity policy specific to South Africa? YES ___ NO ___

2. If so, when was the policy instituted? ________

3. How is the policy communicated to workers?

a. verbally through local management ________
b. written and distributed to all employees ________
c. posted in working place ________

B. Sales policies

1. Does the company have a sales policy which in any way restricts the type of equipment produced or sold in South Africa? YES ___ NO ___

2. Does the company have a policy which limits to whom certain products may be sold or for what purposes they may be used? YES ___ NO ___

3. If so, please describe: ______________________________
____
____
____
____

III. Implementation of Policies: The Subcommittee would also like to learn abc efforts companies may be making to implement their policies. Could you please pl provide information in the following categories:

A. Communication between the South African subsidiary and the home offic

1. How many home office representatives have visited South Africa to review employment practices in the past year, between June, 1975 and June, 1976? ___________

2. Has the home office sent personnel or industrial relations officers to South Africa? YES ___ NO _

a. If so, when? ___________

3. Does the company's South African Subsidiary have an affirmative action or similar employment program? YES ___ NO _

4. When was it started? ___________

5. Who was responsible for its design?

a. home office ______
b. local management ______
c. both ______

6. Does the company require regular reporting on labor practices YES ___ NO _

a. If so, how frequently?

a. monthly ______
b. quarterly ______
c. semi-annually ______
d. annually ______

7. Is performance of the manager of the company's South African subsidiary evaluated in terms of the specific objectives for employment practices? YES ___ NO ___

B. Recruitment and Selection

1. Does the South African subsidiary have a program of recruiting overseas for employees at certain skill levels? YES ___ NO ___

2. Does the subsidiary have a program for recruiting blacks? YES ___ NO ___

   a. If so, when was it started? ___________

3. How many of the subsidiary's employees are not South African? ___________

4. What is the nationality of the managing director?

   a. American ______
   b. South African ______
   c. Other ______

5. What is the nationality of the personnel director?

   a. American ______
   b. South African ______
   c. Other ______

6. Does the subsidiary have a formalized selection process? YES ___ NO ___

7. What process does the subsidiary use for selection?

   a. interviews ______
   b. written tests ______
   c. manual dexterity tests ______
   d. trial period ______

8. What is the minimum education level required by the subsidiary for employment? ___________

C. Wages

1. Does the subsidiary use a national standard to establish its minimum wage level? YES ___ NO ___

   a. If so, when did it first set a minimum level according to a standard survey? ___________

2. What standard does the subsidiary use for its minimum level?

   a. Bureau of Market Research: Minimum living level ______
      Higher living level ______

   b. University of Port Elizabeth: Household Subsistence level ____
      Household effective level ____

c. Johannesburg Chamber of Commerce: Poverty Datum Line ____
Minimum effective level ____

3. Does the subsidiary have a single wage curve for all employees? YES ___ NO ___

4. Does the subsidiary pay equal pay for equal work? YES ___ NO ___

5. What difficulties does a subsidiary have in paying equal pay?

a. high wages for whites ______
b. inexperience of black workers ______
c. high demand for whites ______
d. strength of white unions ______

6. How often are wages reviewed?

a. quarterly ______
b. semi-annually ______
c. annually ______
d. bi-annually ______

7. Is there a written evaluation of workers?

a. only white collar workers ______
b. both white and blue collar workers ______

	African	White	Colored	Asian
8. How many hourly workers does the subsidiary have?	______	______	______	______
9. How many salaried workers does the subsidiary have?	______	______	______	______

10. Does the subsidiary engage in collective bargaining with its white workers? YES ___ NO ___

a. with its black workers? YES ___ NO ___

D. Promotion

1. How many blacks have moved into positions formerly held by whites in the last year (June 1975 - June 1976)? ____________

2. How many blacks have moved into supervisory positions in the past year (June 1975 - June 1976)? ____________

3. Does the company have any blacks in supervisory positions above whites? If so, how many? ____________

4. Into what new positions have blacks been promoted in the past year?

a. manager ______
b. supervisor ______
c. quality control ______
d. accounting ______
e. laboratory ______
f. personnel ______
g. sales ______
h. customer service ______
i. warehouse management ______
j. secretarial ______
k. foreman ______
l. team leader ______

5. Does the subsidiary have a man-power plan? YES ____ NO ____

 a. If so, is it a:

 a. two-year plan ______
 b. five-year plan ______
 c. ten-year plan ______

6. Does the subsidiary have targeted certain positions into which it expects to be able to promote blacks in the next two years (by June 1978)?

a. manager	______	g. sales	______
b. supervisor	______	h. customer service	______
c. quality control	______	i. warehouse management	______
d. accounting	______	j. secretarial	______
e. laboratory	______	k. foreman	______
f. personnel	______	l. team leader	______

7. What are the major obstacles to black promotion?

 a. government restrictions

 1. Physical Planning Act ______
 2. Bantu Labor Act ______
 3. Separate facilities regulations under the Factories or Shops and Offices Acts ______
 4. Group Areas Act ______
 5. Industrial Conciliation Act (with job reservation clause) ______
 6. Apprenticeship Act ______

 b. opposition from white union ______
 c. opposition from white artisans ______
 d. opposition from white workers ______
 e. opposition from white customers ______
 f. opposition from local management or white collar workers ______

8. What have been the incentives to the subsidiary to adopt more progressive practices?

 a. need to raise productivity ______
 b. absenteeism/turnover problems ______
 c. exceptional wage demands ______
 d. shortages of trained manpower ______
 e. pressure from the home office ______
 f. public pressures ______

E. Training

1. Does the subsidiary have a formalized training program? YES ____ NO ____

2. How many workers by race were trained in the following training programs in the past year?

   a. on the job training ______
   b. artisan level training ______
   c. training for artisan's assistants ______
   d. literacy training ______
   e. specialized educational training ______
   f. supervisory training ______

3. How many workers have moved into new positions as a result of their training?

	African	White	Colored	Asian
	______	______	______	______

4. Is the subsidiary taking advantage of the government's tax incentives for training? YES ___ NO ___

5. Is the subsidiary participating in any of the industrial training centers recently established in urban areas? YES ___ NO ___

F. Fringe Benefit Programs

1. Please list the numbers of employees participating in the following fringe benefit programs and the costs to the subsidiary of their participation:

	African	White	Colored	Asian	Cost ($1000)
a. education for employees	______	______	______	______	______
b. education for the children of employees	______	______	______	______	______
c. health facilities for employees	______	______	______	______	______
d. medical aid for dependents of employees	______	______	______	______	______
e. legal aid	______	______	______	______	______
f. loans for home purchase or for home improvement	______	______	______	______	______
g. pension plan	______	______	______	______	______
h. sick leave	______	______	______	______	______
i. disability insurance	______	______	______	______	______
j. life insurance	______	______	______	______	______
k. vacation leave	______	______	______	______	______
l. charitable contributions	______	______	______	______	______

G. Worker representation: Does the subsidiary have:

1. White Unions ______
2. Colored unions ______
3. African unions ______
4. Works committees ______
5. Liaison committees ______
6. Works and liaison combination committees ______
7. What is the job designation of the person chairing meetings of the works or liaison committee? ______

8. What is the job designation of the person serving as secretary of the works or liaison committee? ________
9. What is the job designation of the person who prepares the agenda for the works or liaison committee? ________
10. When was the works or liaison committee established? ________
11. Has the subsidiary been approached by African union organizers? YES ___ NO ___
12. Does the subsidiary recognize and negotiate with an African union? YES ___ NO ___
13. Would it be willing to do so? YES ___ NO ___
14. Will the subsidiary issue stop orders for union dues on wage payments? YES ___ NO ___
15. How many workers must a union represent in order to gain subsidiary recognition?

    a. 100 percent ______
    b. 75 percent ______
    c. 50 percent ______
    d. 30 percent ______

16. Has the subsidiary issued a public statement saying that it will not penalize workers for joining a union? YES ___ NO ___
17. Would it be willing to do so? YES ___ NO ___

H. Representation to the South-African Government

1. Has the subsidiary ever contacted the South African Government to request an exemption under such laws as the Physical Planning Act or the Industrial Conciliation Act? YES ___ NO ___

2. Has the subsidiary ever been contacted by government officials for violations of laws relating to labor practices? YES ___ NO ___

3. Has the subsidiary ever been fined by the government for violations of laws relating to labor practices? YES ___ NO ___

4. Has the subsidiary in the past two years made representations to the government on its policies governing:

    a. labor mobility ______
    b. housing ______
    c. education ______
    d. training ______
    e. specific jobs ______

5. Has the subsidiary in the past two years encouraged the Federated Chamber of Industries or the Associated Chambers of Commerce to make representations on any issue? YES ___ NO ___

I. Representations to the U.S. Government

1. Does U.S. policy affect your subsidiary's ability to do business in South Africa? YES ___ NO ___

The U.S. Chamber of Commerce provided a different list of the top 15 firms, based on employee populations of 1,000 persons or more:

Carnation, Ford Motor Co., Firestone, General Motors, Goodyear, International Harvester, IBM, 3M, Masonite, Mobil, NCR, Newmount Mining, Otis Elevator, General Electric, and Union Carbide.

Based on information provided by U.S. companies which participated in the subcommittee's survey appearing in this report, the U.S. Chamber of Commerce list excludes Caltex (which reported having 1,932 employees) and ITT (which reported having 3,900 workers).

The U.S. Department of Commerce offered yet another list of the top 12 U.S. corporations, based on unspecified criteria:

Coca Cola, General Electric, Esso, Gillette, IBM, International Harvester, Joy Manufacturing, NCR, Otis Elevator, South African Cyanamid, Union Carbide, and John Deere.

Finally, a fourth source, Investors Responsibility Research Corporation (IRRC),[3] on the basis of sales and assets, identified two oil companies—Mobil and Caltex—as the two largest U.S. corporations in South Africa. According to IRRC, their combined sales are equal to more than $1 billion. Caltex's assets are worth $200 million and Mobil's are worth $333 million. IRRC additionally estimates that at least 72 U.S. firms employ more than 250 workers each and 21 firms have more than 1,000 workers each (10 more than the number of firms with employees of 1,000 or more provided by the U.S. Chamber of Commerce). In all, IRRC estimates U.S. firms employ some 100,000 workers in South Africa, about 70 percent of whom are black Africans. American firms are concentrated in oil, motor vehicle and computer technology, representing 43 percent of the petroleum market, 23 percent of the auto sales, and 70 percent of the computer business in South Africa. On the basis of their dominance in these sectors, then, the largest U.S. firms should include:

Mobil, Caltex, Exxon, Standard Oil of California, General Motors, Ford Motor Co., Chrysler, IBM, Control Data Corp., and NCR.

While it is impossible to establish with certainty the exact number of top U.S. firms in South Africa, it is clear that many of the companies which may be said to rank among the largest operating in South Africa participated in the survey conducted by the subcommittee.

FINDINGS

The aggregate data in the survey is based on the replies of 75 companies, or 30 percent of the 260 firms which were sent questionnaires by Senator Dick Clark in 1976. These companies were asked to supply information concerning 10 major issue areas, ranging from employment policies to investment plans.

EEO.—More than half of the responding firms stated they have an equal employment opportunity (EEO) policy specific to South Africa. Most of these policies were instituted in the early 1970's, a period when U.S. public criticism of multinational practices increased and our own EEO regulations were amended. It was also a period when

[3] "U.S. Business in South Africa: The Withdrawal Issue" (Washington, D.C., 1977).

2. Have you met with U.S. government officials to discuss aspects of U.S. policy that might be changed? YES ___ NO ___

3. Do you think it would be beneficial to your company if the U.S. were to:

   a. relax restrictions on Export-Import Bank facilities YES ___ NO ___
   b. provide insurance through Overseas Private Investment Corp. YES ___ NO ___
   c. institute trade fairs and expend commercial services YES ___ NO ___
   d. adopt a diplomatic posture more favorable to South Africa YES ___ NO ___

4. Would your operations in South Africa be seriously affected by changes which tighten U.S. policy towards South Africa:

   a. end all Export-Import Bank facilities YES ___ NO ___
   b. remove commercial attaches YES ___ NO ___
   c. end commercial publications relating to South Africa YES ___ NO ___
   d. end tax credits to companies which invest in South Africa after January, 1977 YES ___ NO ___

J. Investment Plans

1. Does your company expect to make a significant new investment (equal to 25 percent of current assets in South Africa) in the next two years? YES ___ NO ___

2. What proportion of new investment do you expect to come from retained earnings?

   a. 25 percent ______
   b. 50 percent ______
   c. 75 percent ______

3. What proportion of future investment may come from overseas borrowing?

   a. 25 percent ______
   b. 50 percent ______
   c. 75 percent ______

4. Have your operations been affected by recent unrest? YES ___ NO ___

5. Do you anticipate any alteration in your plans for further development of your operations as a result of recent unrest? YES ___ NO ___

6. What major changes do you anticipate in South Africa over the next 5 to 10 years and how do you see these changes affecting your business operations?

____

____

Appendix B

AMERICAN CONSULATE GENERAL

JOHANNESBURG

Republic of South Africa

COMMERCIAL SECTION

KINE CENTER, 11th FLOOR, COMMISSIONER & SMAL STREETS

TELEPHONES : 21-1684/7

P.O. BOX 2155, JOHANNESBURG 2000

AMERICAN CONSULATE GENERAL

Johannesburg, South Africa

This list has been compiled by the Commercial Section based upon information provided by the companies involved. While every effort has been made to include only firms of good repute, no responsibility can be assumed in connection with any of the persons or firms listed herein, nor for any transactions had with such persons or firms.

MAY 1976 PRICE $1.00

AMERICAN FIRMS, SUBSIDIARIES AND AFFILIATES - SOUTH AFRICA

The following information is given with the understanding that it represents conditions which existed on the date this list was prepared. These conditions may be subject to change without notice. Persons or firms engaging in international trade are urged to obtain current and complete market and trade information from the Office of International Marketing, U.S. Department of Commerce, Washington, D.C. 20230, or any of its district offices.

The list includes only those firms in which American companies or individuals have a substantial direct capital investment in the form of stock, as the sole owner, or as a partner in the enterprise. No attempt has been made to include foreign firms operating under a contract, license or commission basis, where no actual American capital is involved, and in which American firms participate solely on a royalty or profit-sharing basis. Small or anonymous investments are not encompassed and the list cannot be regarded as all-inclusive. The non-commercial enterprises and institutions such as churches, missions, schools, and hospitals, financed or operated by American charitable or religious organizations, have also been omitted.

Persons seeking employment in South Africa are advised that, in almost all instances, American firms recruit American personnel through their head offices in the United States.

DID YOU KNOW THAT

services offered businessmen by the Commercial Section include the following:

TRADE OPPORTUNITY PROGRAM: Established businessmen who, as agents or as end-users, are seeking suppliers of equipment, products or services may contact the Commercial Section regarding their needs. The Commercial Section cables this information to the U.S. Department of Commerce which contacts qualified and reputable U.S. suppliers who write to the inquirer directly. Your inquiry is held in confidence.

AGENCY/DISTRIBUTOR SERVICE: American firms seeking South African representation contract for this service through one of the 43 District Offices of the U.S. Department of Commerce. The Commercial Section contacts reputable South African firms which have shown an interest in handling new U.S. product and equipment lines. We cable the U.S. Department of Commerce about the South African firms interested in hearing more from the American firms.

U.S. TRADE FAIR PROGRAM: There are many large American trade shows and exhibitions. The U.S. Department of Commerce selects shows which offer the best opportunities for businessmen who wish to visit the U.S. to conclude business arrangements, agency agreements or to buy American products or equipment. You may call or visit the Commercial Library for details.

COMMERCIAL INVITATION SERVICE: Established businessmen who plan to visit the United States may be issued invitations to visit any of the 43 District Offices of the Department of Commerce. Officers in the District Offices will help these businessmen establish contact with U.S. businessmen and provide other business assistance as appropriate.

WORLD TRADERS DATA REPORT/FOREIGN TRADERS INDEX REGISTER: These reports, prepared by the Commercial Section and cabled to Washington, contain all pertinent data of interest to U.S. businessmen about South African firms. Firms in the WTDR/FTI Register are identified under the Standard Industrial Classification (SIC) system and will find their contacts with American companies thus much facilitated. American firms use the index to locate South African businessmen with whom they are interested in doing business. Please call or write the Commercial Section if you are not registered.

CONTENTS

AMERICAN FIRMS, SUBSIDIARIES AND AFFILIATES OPERATING IN THE REPUBLIC OF SOUTH AFRICA

The following symbols have been used:

(S) American parent controls 50 percent or more of capital

(A) American parent controls less than 50 percent of capital

(B) Branch (primarily service organization)

Nationality of Chief Executive

1/ American

2/ South African

3/ Other

* Not applicable

** Un-available

	Name of Local Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
1.	(S) AAF-Alta Corporation (Pty) Ltd.	P.O. Box 176, Luipaardsvlei 1743 (664-4584)	J.M. Shaver Chairman 1/	Air pollution and dust control	Chamdor, Krugersdorp, Tvl. Dust control equipment, air filters & ancillary equipment	105	AAF-INTERNATIONAL, P.O. Box 1100, Louisville, Kentucky 40201
2.	(S) ABS Worldwide Technical Services Inc.	P.O. Box 4058 Durban 4000 (317517)	H.E. Millard 1/	Inspection technical services	*	10	ABS Worldwide Technical Services, Inc., 45 Broad St., New York, N.Y. 10004
3.	(S) A.C.E.C. South Africa (Pty) Ltd.	P.O. Box 1884 Johannesburg 2000 (724-3561)	W.M. Riley Managing Director 1/	Products & services of parent co.	*	12	Westinghouse Electric Corp., Westinghouse Building, Gateway Center, Pittsburgh, Pa. 15222 (Thru A.C.E.C. Charleroi-Belgium)
4.	(S) AETNA South Africa Insurance Co. Ltd.	P.O. Box 61115 Marshalltown 2107 (838-8711)	G.B. Gillham Managing Director 3/	Insurance (all classes of non-life)	*	70	AFIA, 1700 Valley Rd., Wayne, New Jersey
5.	(S) AFIA	P.O. Box 61115 Marshalltown 2107 (839-8711)	G.B. Gillham Manager for Southern Africa 3/	Marine claims settling agency	*	13	AFIA, 1700 Valley Rd., Wayne, New Jersey
6.	(S) ABBOTT Hospital Products (Pty) Ltd.	P.O. Box 1616 Johannesburg 2000 (942-3100)	A. Sachs Managing Director 2/	Promotion of hospital products	*	12	Abbott Laboratories 14th Street & Sheridan Road, North Chicago, Illinois 60064
7.	(S) ABBOTT Laboratories S.A. (Pty) Ltd.	P.O. Box 1616 Johannesburg 2000 (942-3100)	A. Sachs General Manager 2/	Pharmaceutical products, hospital products and infant nutritional products	2 Samuel Evans Rd., Aeroton Johannesburg Pharmaceutical products, hospital products and infant nutritional products	145	Abbott Laboratories 14th Street & Sheridan Road, North Chicago, Illinois 60064
8.	(A) ACOUSTICAL Products (Pty) Ltd.	P.O. Box 762 Vereeniging 1930 (016-3-8831)	J.W. Eschgerl 2/	Mineral ceiling tile/board	**	**	United States Gypsum Co., 101 South Wacker Drive, Chicago, Illinois 60606
9.	(S) ADDRESSOGRAPH Multigraph (Pty) Ltd.	P.O. Box 282 Johannesburg 2000 (836-8441)	R.C. Osborne Managing Director 3/	Business equipment	Johannesburg Chemicals for use in own offset litho machines, metal plates & ribbons	425	Addressograph Multigraph Corp. Cleveland, Ohio
10.	(A) AFRICA Triangle Mining, Prospecting & Development Co. (Pty) Ltd.	P.O. Box 62379 Marshalltown 2107 (838-8011)	Clive E. Menell 3/	Base mineral exploration	**	**	U.S. Steel, Pittsburgh, Pa.
11.	(S) AMERICAN Bureau of Shipping	P.O. Box 4080 Durban 4000 (61256)	H.E. Millard Principal Surveyor for Southern Africa 3/	Ship classification society	*	10	American Bureau of Shipping, 45 Broad Street, New York, N.Y. 10004
12.	(S) AMERICAN Express International Inc.	123 Commissioner Street, P.O. Box 9395 Johannesburg 2000 (23-8151 & 23-6719)	F. de Wolf Resident Vice-President - Travel, South Africa 3/	Travel & travel related services	*	130	American Express Company, 65 Broadway, New York, N.Y.
13.	(S) AMERICAN International Insurance Company Ltd.	P.O. Box 1684 Johannesburg 2000 (838-2366)	F. Trueman Managing Director 3/	Insurance company	*	75	American International Group, 102 Maiden Lane, New York 10005
14.	(S) AMERICAN International Underwriters (Pty) Ltd.	P.O. Box 1684 Johannesburg 2000 (838-2366)	F. Trueman Managing Director 3/	Insurance Agents and Claims Settling Agents	*	nil	American International Group, Inc., 102 Maiden Lane, New York, N.Y. 10005
15.	(A) AMERICAN Motors South Africa (Pty) Ltd.	P.O. Box 1932 Johannesburg 2000		Motor vehicle parts & accessories	**	*	American Motors Corporation, 14250 Plymouth Rd., Detroit, Michigan 48232
16.	(S) AMPEX South Africa (Pty) Ltd.	P.O. Box 8376 Johannesburg 2000 (838-7840 836-2175)	P. Eklundh Managing Director 3/	Magnetic tape recorders, television equipment, magnetic tape	*	5	Ampex International Operations, Box 4000, Redwood City, California 94063

	Name of Local Firm	*Address & Telephone No.*	*Chief Executive Officer*	*Product/Service Category*	*Manufacturing facilities (if any) in South Africa*	*No. of Employees*	*Name & Address of American Parent*
17.	(S) Arthur ANDERSEN & Co.	P.O. Box 3652 Johannesburg 2000 (21-1381)	Barry H. Adams Managing Partner 2/	Professional practice of accountants & auditors	*	80	Arthur Andersen & Co., 69 West Washington St., Chicago, Illinois 60602
18.	(S) ANDERSON Clayton & Hunt (Pty) Ltd.	P.O. Box 116 Pinetown 3600 (72-5381)	K.M. MacKenzie 2/	Agricultural products	**	**	Anderson Clayton & Co., P.O. Box 2538 Houston, Texas 77001
19.	(S) ANIKEM (Pty) Ltd.	P.O. Box 84 Johannesburg 2000 (23-5375)	M.A. Sander General Manager 2/	Specialised industrial chemicals	336 Lansdowne Rd., Jacobs, Natal Specialised industrial chemicals	93	Nalco Chemical 2901 Butterfield Rd., Oak Brook, Illinois 60521
20.	(S) APPLIED Power (South Africa) (Pty) Ltd.	P.O. Box 38225 Bramley 2018 (40-8001)	B.A. Bree Managing Director 2/	Automotive service equipment, industrial hydraulic tools	77-11th Road Kew, Johannesburg Same as previous	32	Applied Power Inc., P.O. Box 3100 Milwaukee, Wis. 53218
21.	(S) ARMOUR-Africa (Pty) Ltd.	P.O. Box 47 Woltemede 7445 (51-1371/2)	G.F. Powell 2/	Foodstuffs	**	**	Muller & Phipps International Co., 1 Park Ave., New York, N.Y.
22.	(S) AUTO-MATED Building Components (SA) (Pty) Limited	P.O. Box 39207 Bramley 2018 (836-8030)	M.S. Dryden Managing Director 2/	Promotion of the Gang-Nail connector plate system	30 - 2nd Ave., Wynberg Gang-Nail connector plates and other builders' hardware	22	Automated Building Components, Inc., P.O. Box 59-2037 A M F Miami, Florida 33159
23.	(A) AVIS Rent a Car System (Headquarters)	P.O. Box 221 Isando 1600 (36-3476)	Glenn van Heerden Chief Executive & General Manager 2/	Rental of self drive cars and trucks	*	250	Avis Incorporated World Headquarters P.O. Box 201, Garden City, New York 11530
24.	(S) AYERST Laboratories (Pty) Ltd.	P.O. Box 8138 Johannesburg 2000 (33-0394)	E.J.M. Odell 2/	Pharmaceuticals	**	**	Ayerst International Inc., 685 3rd Ave., New York, N.Y.
25.	(S) The B.M. Group (Pty) Ltd.	P.O. Box 9706 Johannesburg 2000 (725-5280)	J.M.W. Brady	Pharmaceuticals & toiletries	**	**	Bristol-Myers International Corp. 345 Park Ave., New York, N.Y. 10022
26.	(S) BAIRD & Tatlock (S.A.) (Pty) Ltd.	P.O. Box 11128 Johannesburg 2000 (32-6421)	Jeff B. Pye Group Managing Director 2/	Laboratory instruments, apparatus & chemicals, scientific instruments, pharmaceutical, bio-medical instruments, hospital supplies & medical hospital furniture	Rouvan, Johannesburg. Laboratory & hospital plastics, pharmaceutical, industrial glassware, pharmaceutical & laboratory graduated glassware	**	G.D. Searle & Co., Skokie, Ill.
27.	(S) BARLOW Weyerhaeuser Packaging Group	P.O. Box 3630 Johannesburg 2000 (819-3177)	David Brown 2/	Packaging products	**	**	Weyerhaeuser Co., Tacoma, Washington 98401
28.	(S) BATTEN, Barton, Durstine & Osborn S.A. (Pty) Ltd.	P.O. Box 2983 Johannesburg 2000 (836-7631)	M.E. Trull & D.J. Dimel Joint Managing Directors 2/	Advertising agency	*	182	Batten, Barton, Durstine & Osborn, Inc., 383 Madison Ave., New York, N.Y. 10017
29.	(S) BECHTEL International Limited	P.O. Box 3191 Johannesburg 2000 (28-3450)	R.C. Clemens 1/	Engineers - Constructors	*	90	Bechtel Corporation, P.O. Box 3965, San Francisco, California 94119
30.	(S) BECKMAN Instruments (Pty) Ltd.	Temple House 59-61 Buitenkant Street, Cape Town 8001 (47-1460)	A.S.T. Swartz 2/	Scientific & process instruments	**	**	Beckman Instruments Inc., 2500 Harbor Blvd., Fullerton, Cal.
31.	(S) BEECH-Nut Life Savers Ltd.	P.O. Box 78533 Sandton 2146 (784-0504/5/6)	L.A. Renwick Managing Director 2/	Confectionery Beechies, Life-savers, Kittys, Fiic, etc.	Dundee & Washbank, Natal. Chewing gum, candy, toffees, compressed mints	800	Dobbs-Life Savers International, 40 W. 57th St., New York 10019
32.	(S) BERKSHIRE International (S.A.) Ltd.	P.O. Box 788 East London 5200 (2-1341)	P.G. Chapman 2/	Ladies' hosiery and knitted outerwear	**	**	Berkshire International Corp., Reading, Pa.

	Name of Local Firm	*Address & Telephone No.*	*Chief Executive Officer*	*Product/Service Category*	*Manufacturing facilities (if any) in South Africa*	*No. of Employees*	*Name & Address of American Parent*
33.	(S) BIG Dutchman S.A. (Pty) Ltd.	Cnr. Plantation Rd., & Eastleigh Ave., Edenvale 1610 (53-6643)	Mrs. E. Sheldon 2/	Automated poultry pig & cattle feeding systems	**	**	United States Industries, 250 Park Ave., New York, N.Y. 10017
34.	(S) BLACK Clawson (S.A.) (Pty)	P.O. Box 41364 Craighall 2024 (48-3634)	J.P. Simpson Resident Director 3/	Paper & pulp making machinery	*	9	The Black Clawson, 200 Park Ave., New York, N.Y.
35.	(S) BLACK & Decker South Africa (Pty) Ltd.	P.O. Box 4934 Cape Town 8000 (51-8233)	Flemming Andresen 3/	Portable electric & air tools, woodworking & metal cutting radial saws	**	**	The Black and Decker Mfg. Co., Towson, Maryland 21204
36.	(S) BOEING International Corporation (Inc. in the USA)	P.O. Box 925 Johannesburg 2000 (834-2028)	James P. Stratton Regional Sales Director 1/	Business coordination and Sales of Boeing products	*	**	Boeing International Corporation, P.O. 3707, Seattle, Washington 98124
37.	(S) The BORDEN Company (S.A.) (Pty) Limited	P.O. Box 31633 Braamfontein 2017 (724-8211)	Dan O'Riordan 3/	Milk & chemical products	**	**	Borden Inc., 350 Madison Ave., New York, N.Y. 10017
38.	(S) BORG-Warner S.A. (Pty) Ltd.	P.O. Box 388 Uitenhage 6230 (21214)	Gregory J. Warwick Managing Director 3/	Rear axle assemblies & remanufacture of transmissions and axles	Uitenhage, rear axle assemblies. Also Jhb, Durban, P.E., Cape Town - parts and service. Branches for remanufacture of transmissions & axles.	834	Borg-Warner Corporation, 200 South Michigan Ave., Chicago Illinois 60604
39.	(S) BUCKMAN Laboratories (Pty) Ltd.	P.O. Box 12146 Jacobs 4026 (47-3635)	J.B. Slogan Managing Director 3/	Speciality chemicals to pulp & paper, leather, paint & water treatment	same as previous	16	Buckman Laboratories Inc., 1256 North McLean Blvd., Memphis, Tenn.
40.	(S) BUCYRUS (Africa) (Pty) Ltd.	P.O. Box 1209 Kempton Park 1620 (978-3187)	John Kirkham Webster General Manager 3/	Open pit mining machinery, electric mining shovels, electric blast hole drills, electric walking draglines	*	11	Bucyrus-Erie Company 1100 Milwaukee Ave., P.O. Box 56, South Milwaukee, Wis. 53172
41.	(S) BULOVA. (Africa) (Pty) Ltd.	P.O. Box 31041 Braamfontein 2017 (724-6328)	Afrikander M. Henshel Managing Director 1/	Watch products (distributors)	*	30	Bulova Watch Co. Inc., 630 Fifth Ave., New York City, N.Y.
42.	(A) BUNDY Tubing Company of South Africa (Pty) Ltd.	P.O. Box 6 King Williams Town 5600 (3443/3)	S.M. Scott-Dawkins Managing Director 2/	Bundyweld tubing. Tubular components for automotive & refrigeration industries	King Williams Town. Same as previous	100	Bundy Corporation, 333 West Fort Street, Detroit, Mich. 48226
43.	(A) BURLINGTON Hosiery Mills (S.A.) Ltd.	P.O. Box 15744 Siemend, Tvl. 2133 (29-3447)	Martin Boshoff Managing Director 2/	Ladies hosiery, briefs, knitted tops, bodysuits, spencers & men's & boy's socks	Estcourt Natal & Cape Town. Same as previous	1,830	Burlington Industries Inc., 1345 Avenue of the Americas, New York, N.Y. 10019
44.	(S) BURROUGHS Machines Ltd.	P.O. Box 2886 Johannesburg 2000 (838-3877)	J.R. O'Sullivan General Manager 2/	Sale & maintenance of business machines & computers	*	600	Burroughs Corporation, Burroughs Place, P.O. Box 418, Detroit, Michigan 48232
45.	(S) BUTTERICK Fashion Marketing Co. (S.A.) (Pty) Ltd.	208 Kelhof, 112 Pritchard St., Johannesburg 2001 P.O. Box 6269 Johannesburg 2000 (23-6527)	B.C. Brown General Manager 3/	Paper patterns	*	42	American Can Company, American Lane, Greenwich, Conn. 06830
46.	(S) CBI Constructors Ltd.	P.O. Box 28 Fynnland 4020 (47-8961/2)	R.P. Davies 1/	Field erected steel plate	**	**	Chicago Bridge & Iron Company, Oakbrook, Ill.
47.	(S) C.G.E. Thermodynamics (Pty) Ltd.	P.O. Box 42263 Fordsburg 2033 (838-6027)	F. Kleyn 3/	Primary sensing elements & instruments	**	**	C.G.S. Scientific Corporation of America, Philadelphia, Pa.

	Name of Local Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
48.	(S) CALTEX Oil (S.A.) (Pty) Ltd.	P.O. Box 714 Cape Town 8000 (47-1110)	W. Marshall Smith Managing Director 2/	Petroleum products	Milnerton, Cape Refined petroleum products. Island View, Durban - lube oils	**	Caltex Petroleum Corporation, 380 Madison Ave., New York, N.Y. 10017
49.	(S) CAM T.R.W. (South Africa) (Pty) Ltd.	P.O. Box 564 Uitenhage 6230 (2-3002)	M.T. Lowry 2/	Automotive components manufacture	**	**	TRW Inc., 23555 Euclid Ave., Cleveland, Ohio 44117
50.	(S) CARBORUNDUM-Universal S.A. (Pty) Ltd.	P.O. Box 1114 Port Elizabeth 6000 (48861)	Charles Robert Mitchell Managing Director 2/	Grinding wheels, coated abrasives (sandpaper) & related abrasive products, Super refractories, Pangborn shot blast equipment & media, diamond grinding wheels, etc.	134 Kempston Rd., Port Elizabeth Grinding wheels, diamond wheels & super refractories; Plantation Rd., Springs - Coated abrasives (sandpapers); Clarke Street, Alrode, Tvl. - Pangborn Shot blast equipment and media	180	The Carborundum Company, Niagara Falls, New York 14302
51.	(S) CARLTON Paper Corporation Limited	P.O. Box 6473 Johannesburg 2000 (516-1890)	Barry James Upfold Managing Director & Chief Executive Officer 3/	Mfrs. & converters of household paper products	Immelman Rd., Wadeville, Germiston East Geduld Rd., Enstra, Springs; Bonbow Ave., Epping, Cape; Pietermaritzburg Rd., Pietermaritzburg, Natal. Same as previous	1482	Kimberly-Clark Corporation North Lake Street, Neenah, Wis. 54956
52.	(S) CARNATION Company (Pty) Ltd.	P.O. Box 1274 Durban 4000 (65931)	Edward H. Beitz Managing Director 1/	Milk products, canned fruit & vegetables, fruit squashes, plastic bottles and pet food & accessories	Harrismith, Bergville, Pollti, Johannesburg, Mobeni, Bronkhorstspruit, Koppies. Same as previous	1,587	Carnation International, 5045 Wilshire Blvd., Los Angeles, Cal. 90036
53.	(S) CASCADE Corp. (Pty) Ltd.	P.O. Box 1126 Johannesburg 2000 (838-0332)	J. Sandermeijer Managing Director 2/	Fork lift attachments	*	?	Cascade Corporation, P.O. Box 20187, Portland Oregon 97220
54.	(S) J.I. CASE South Africa (Pty) Ltd.	P.O. Box 347 Isando 1600 (36-2501)	C.H. Strydom Managing Director 2/	Construction & agricultural industry	*	170	J.I. Case International, 700 State St., Racine, Wis.
55.	(S) CATERPILLAR (Africa) (Pty) Ltd.	P.O. Box 11481 Johannesburg 2000 (36-1011)	I.W. Leech, Manager - Parts Operations South Africa 2/	Replacement parts for Caterpillar equipment	*	111	Caterpillar Overseas SA, P.O. Box 400 1211 Geneva, 3, Switzerland (in turn wholly owned by Caterpillar Tractor Company, 100 Northeast Adams St., Peoria, Illinois) 61629
56.	(S) CENTRAL Engineering Works (Pty) Ltd.	P.O. Box 2253 Johannesburg 2000 (838-4751)	Claud Tranter 1/	Mining & construction equipment	**	**	Rexnord Inc., Milwaukee, Wis.
57.	(C) CHAMBERLAIN'S (Pty) Ltd.	P.O. Box 1718 Cape Town 8000 (41-1726)	F.W. ten Winkel General Manager 2/	Pharmaceuticals cosmetics, confectionery razor blades & razors	Cape Town. Cosmetics, confectionery & pharmaceuticals	377	Warner-Lambert Company, 201 Tabor Rd., Morris Plains, New Jersey 07950
58.	(S) CHAMPION Spark Plug Company of South Africa (Pty) Ltd.	P.O. Box 88 Isando 1600 (975-3848)	Claude Gibbons Hall Managing Director 3/	Spark plugs for automotive industry	22 Forge Rd., Spartan, Kempton Park. Spark plugs	80	Champion Spark Plug Company - Toledo P.O. Box 910, Toledo, Ohio 43661
59.	(B) CHASE Manhattan Overseas Corporation Representative Office	P.O. Box 9608 Johannesburg 2000 (834-7581)	Stephen Pryke Senior Representative & Vice President 3/	Representative of Chase Manhattan Bank & international network of Chase Manhattan Overseas Corporation	*	6	The Chase Manhattan Bank, N.A. through Chase Manhattan Overseas Corporation, New York
60.	(S) CHESEBROUGH-Pond's International Ltd.	P.O. Box 14001 Wadeville 1422 (34-3510)	Andrew G. Gerry, Vice-President 1/	Toiletries, cosmetics & perfumes	Wadeville, Tvl. Same as previous	430	Chesebrough-Pond's Inc., 33 Benedict Place, Greenwich, Conn.

	Name of Local Firm	*Address & Telephone No.*	*Chief Executive Officer*	*Product/Service Category*	*Manufacturing facilities (if any) in South Africa*	*No. of Employees*	*Name & Address of American Parent*
61.	(S) CHROME Corporation (S.A.) (Pty) Limited	P.O. Box 9194 Johannesburg 2000 (21-7387)	D.W. Dyer Regional Director for Southern Africa 1/	Untreated chrome ore in bulk	*	**	Union Carbide Corp., 270 Park Ave., New York, N.Y. 10017
62.	(S) CHRYSLER South Africa (Pty) Ltd.	P.O. Box 411 Pretoria 0001 (83-1121)	Walter K. McPherson Managing Director & Chairman 1/	Motor vehicles & air conditioning equipment	Chrysler Park, Pretoria Same as previous	3000	Chrysler Corporation, P.O. Box 1919, Detroit, Mich. 48231
63.	(S) CITIBANK N.A. Ltd.	P.O. Box 9773 Johannesburg 2000 (834-2461)	Gordon G. Phelps Managing Director 1/	Commercial Banking	*	312	Citibank N.A., 399 Park Avenue, New York, N.Y. 10022
64.	(S) COASTAL Fluorspar Holdings (Pty) Ltd.	P.O. Box 4839 Johannesburg 2000 (834-3471)	U.H.R. Dohlhoff Managing Director 2/	Ores metals & chemicals	*	60	Philipp Brothers Division of Engelhard Minerals & Chemicals Corp., 299 Park Ave., New York, N.Y. 10017
65.	(S) The COCA-COLA Export Corporation	P.O. Box 9999 Johannesburg 2000 (836-3873 & 836-3661)	Anthony Young Zone Manager Africa & SW Asia Zone 2/ Friedrich Johan Meyer - Area Manager - Southern Africa 2/	Mineral waters and soft drinks	Johannesburg Pretoria, Durban, Cape Town & Swaziland. Coca-Cola, Fanta, Sprite, Krest, Tab and Fresca	3000	The Coca-Cola Export Corporation, P.O. Drawer 96487, Atlanta, Georgia 30346
66.	(S) COLGATE Palmolive Limited	P.O. Box 213- 828 Commissioner Street, Boksburg 1460 (52-8236)	John A.C. McLean Managing Director 1/	Consumer packaged goods - household products & toiletries	Boksburg. Laundry detergents, shampoos, scouring powders, toilet soaps, hair sprays, deodorants, toothpastes, shaving products and dishwashing liquids	650	Colgate-Palmolive Company, 300 Park Avenue, New York, N.Y. 10022
67.	(S) P.F. COLLIER Inc.	P.O. Box 10613 Johannesburg 2000 (22-0098)	R.R. Carruthers Operations Manager 1/	Publishing - Encyclopaedias	*	30	Macmillan, Inc., 866 Third Ave., N.Y.
68.	(S) COLLIER Macmillan South Africa (Pty) Ltd.	P.O. Box 17 Kempton Park 1620 (975-2981)	T.G. Von Lindern Managing Director 2/	Publishers	*	17	Collier Macmillan International, 866 Third Ave., New N.Y. 10022
69.	(S) COLLINS Radio International Inc.	P.O. Box 6595 Johannesburg 2000 (31-1921)	W.K. Thompson Area Manager 2/	Avionics & telecommunications equipment	*	1	Collins Radio Group Rockwell International Corp., 1200 North Alma Road, Richardson, Texas
70.	(A) COMPUTER Sciences Sigma (Pty) Limited	P.O. Box 31497 Braamfontein 2017 (724-9301)	C.W. Stroman Managing Director 1/	Data processing Bureau	*	330	Computer Sciences Corporation, 650 North Sepulveda Boulevard, El Segundo, Calif.
71.	(A) CONSOLIDATED Glass Works Limited	P.O. Box 562 Germiston 1400 (34-4311)	J.C. Robbertze Managing Director 2/	Glass containers & consumer products, plastic containers & closures	Bellville, C.P. Pretoria, Talana, Natal, Wadeville (same as previous)	6000	Associate firm: Owens-Illinois Inc., P.O. Box 1035 Toledo, Ohio
72.	(S) CONSOLIDATED Pneumatic Tool Company S.A. (Pty) Ltd.	P.O. Box 105 Isando 1600 (36-5111)	Dr. B. McKinnon Torrance Managing Director 2/	Marketing of pneumatic tools & equipment	Isando. Diamond drills, coal drills pumps & compressors	220	Chicago Pneumatic Tool Company, 6 East 44th Street, New York 10017
73.	(S) CONTACT Electrical Lines (Pty) Ltd.	P.O. Box 8362 Johannesburg 2000 (24-9344)	R. Chalmers 2/	Electrical goods	**	**	International Telephone & Telegraph Corporation, 320 Park Avenue, N.Y. 10022
74.	(S) CONTROL Data (Pty) Ltd.	P.O. Box 78105 Sandton 2146 (33-6684)	John Anthony de Beer Managing Director 2/	Computers, peripheral products & related services	*	156	Control Data Corporation, 8100 34th Ave., South, Minneapolis, Minn.

renewed attention was focused on southern Africa. A substantial proportion of the firms indicated, however, that their EEO policies were communicated primarily through verbal means, leaving some question about the consistency and thoroughness of implementation. Other firms provided contradictory responses, suggesting that they actually did not have a policy specific to South Africa, but rather general guidelines of worldwide applicability. Still others indicated that South African law inhibited implementation of EEO policies. Generally, therefore, American firms indicated a lax and highly selective application of EEO policies in their operations.

Product restrictions.—Participating firms were asked about restrictions on the sale of their products, the purpose of which was to determine if they directly supplied the Government or Government-supported agencies which uphold apartheid. Only 11 firms said they restricted the sale of their products and this included restrictions on sales to the South African and Rhodesian Governments, restrictions for military purposes, restrictions to specified industries, or limitations as defined by U.S. law. With very few exceptions, there was little evidence that U.S. firms deliberately adopted a socially conscious policy of avoiding support of the South African Government or its apartheid policies. In fact, only one company—Control Data Corp.—specifically stated that it had a self-imposed restriction on business transactions which might support the continuation of apartheid. (Citing recent repressive measures in South Africa, Control Data Corp. also announced in October 1977, that it has decided not to enlarge its investments in South Africa. Ford and General Motors previously indicated a similar halt in new investments.)

Personnel.—A total of 36,742 employees work for 69 firms which supplied the subcommittee with employee population data. Eight companies accounted for 60 percent of the total, the largest employers being Ford and General Motors with roughly 4,800 workers each.

In some cases, there was a direct correlation between race and mode of employment. Rockwell International, M & T Chemicals and Donaldson Co., for example, have all their white workers as salaried employees and all their non-white workers paid on an hourly basis. Only 18 firms pay all their workers on a salaried basis.

Less than 1 percent of the total number of persons employed by responding firms are not South African. The key position of managing director, however, is filled by non-South African (i.e., American and European) personnel by more than a third of the responding firms.

Equal pay.—Seven companies admitted they do not pay equal pay for equal work, nearly all citing inexperience of black workers as the major obstacle. Sixty-three firms indicated they do pay equal pay for equal work, more than half of whom reported that they had no difficulty in doing so. Among the reasons given for failing to pay equal pay for equal work were high demand for whites, high wages for whites, resistance by white unions, and inexperience of black workers—the explanation most often given for not paying equal wages. It should be noted that there is no legal restriction in South Africa on paying equal wages for equal work just as there are no legal prohibitions against training black workers or placing blacks in executive or supervisory positions. These are matters of internal company policy.

	Name of Local Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
75.	(S) CORN Products Company (SA) (Pty) Ltd.	P.O. Box 1544 Durban 4000 (847871)	William W. Rinck Managing Director 1/	Industrial products: modified & unmodified, starches, pregelatinized products, dextrines, glucose, dextrose & caramel color	Prospecton, Natal and Alrode, Tvl. Same as previous	729	CPC International Inc., International Plaza, Englewood Cliffs, N.J. 07632
76.	(S) COTY Division of Pfizer (Pty) Ltd.	P.O. Box 1800 Johannesburg 2000 (28-2330)	M.P. Kilburn 3/	Cosmetics	**	**	Pfizer International New York, N.Y.
77.	(S) CROWN Cork Company S.A. (Pty) Ltd.	P.O. Box 4 Isando 1600 (36-2244)	J.R. [illegible] Managing Director 2/	Bottling & canning machinery	Isando, Tvl. Bellville, C.P., Mobeni (Natal) Crown corks, beer and beverage cans	302	Crown Cork & Seal Co., Inc., 9300 Ashton Road, Philadelphia, Pa. 19136
78.	(S) CUTLER Hammer (grain) Limited	P.O. Box 14089 Wadeville 1422 (34-9124)	C.C. Urquhart Managing Director 2/	Crane control, mill control, motor control centers & control accessories	Wadeville and Prospecton near Durban	290	Cutler-Hammer Incorporated, 4201 N. 27th Street, Milwaukee, Wis. 53216
79.	(S) DAMES & Moore	P.O. Box 78300 Sandton 2146	Philip Sherlock Managing Partner 1/	Consultants in engineering, planning and the environment	*	10	Dames & Moore USA
80.	(S) DENVER Equipment S.A. (Pty) Ltd.	P.O. Box 4070 Johannesburg 2000 (839-5241)	F.J. Walker Chairman 2/	**	*	**	Joy Manufacturing Company, Oliver Building, Pittsburgh, Pa. 15222
81.	(S) DERBY & CO. (South Africa) (Pty) Ltd.	P.O. Box 4829 Johannesburg 2000 (834-2471)	U.H.R. Dohnoff Managing Director 2/	Ores metals & chemicals	*	50	Philipp Brothers Division of Engelhard Minerals & Chemicals Corp., 299 Park Ave., New York, N.Y. 10017
82.	(S) DERBY Metals & Minerals (South Africa) (Pty) Ltd.	P.O. Box 4829 Johannesburg 2000 (834-2471)	U.H.R. Dohnoff Managing Director 2/	Ores metals & chemicals	*	50	Philipp Brothers Division of Engelhard Minerals & Chemicals Corp., 299 Park Ave., New York, N.Y. 10017
83.	(S) DE WITT International (S.A.) (Pty) Ltd.	P.O. Box 60 Isando 1600 (36-1111)	Phillip S. Rolfe Managing Director 2/	Pharmaceuticals perfumes & toiletries	Cnr. Power St. & Tungsten Rd., Isando. Same as previous	120	De Witt International Corporation, P.O. Box 5827, Station B Greenville, S.C. 29606
84.	(A) DINERS Club S.A. (Pty) Ltd.	P.O. Box 10727 Johannesburg 2000 (23-4718)	Graeme Russell 2/	Businessmen's credit card	**	**	Diners Club Inc., 10 Columbus Circle, New York, N.Y. 10019
85.	(S) DIVERSEY South Africa (Pty) Ltd.	P.O. Box 81422 Marshalltown 2107 (834-1479 834-1470)	C.S. Coward Managing Director 2/	Special chemicals for cleaning purposes	Nichol St., Chamdor, Krugersdorp. Same as previous	20	The Diversey Corporation, 100 West Monroe Street, Chicago, Illinois 60603
86.	(S) DODGE & Seymour (Pty) Ltd.	P.O. Box 5328 Johannesburg 2000 (833-2420)	W.E. Nilsson 2/	Automotive replacement parts, tools hardware, engineering & industrial products	**	**	XM World Trade, Inc., One World Trade Center, Suite 4501, New York, N.Y. 10048
87.	(S) DONALDSON Air Cleaners (Pty) Ltd.	P.O. Box 36381 Bramley 2018 (40-6271)	Christopher E.B. Welsh Managing Director 2/	Heavy duty, dry type air cleaners for construction equip., farm tractors, trucks & industrial equipment	Epping No.11, Western Cape, Complete air cleaners, replacement elements and accessories	106	Donaldson Company Inc., 1400 West 94th St., Minneapolis, Minnesota 55431
88.	(S) DOW Chemical Africa (Pty) Ltd.	P.O. Box 9170 Johannesburg 2000 (724-3381)	Peter Jonathan Wray Managing Director 2/	Industrial, mining, agricultural chemicals & thermoplastics	*	31	The Dow Chemical Company, 2020 Dow Center, Midland, Michigan 48640

	Name of Local Firm	Address & Telephone No.	Chief Executive Officer	Products/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
89.	(S) DOW Corning Africa (Pty) Ltd.	P.O. Box 152 Bedfordview 2008 (53-6827/8/9)	M.J. Harris Manager 3/	Complete range of silicone products & raw materials	*	8	Dow Corning International
90.	(S) DRESSER South Africa (Pty) Ltd.	Private Bag X4 Gardenview 2147 (616-5234/5)	Trevor Arnold Tribelhorn Chairman & Managing Director 2/	Galion Div. - roadmaking machinery & hydraulic cranes. Jeffrey Mfg. Div. - materials handling plant & equipment & crushers Jeffrey Mining Machinery Div. - underground mining equipment. Lodge-Cottrell Div.- gas cleaning equipment	Wadeville, Germiston and Spartan, Kempton Park. Same as previous	1120	Dresser Industries Inc., P.O. Box 718, Dallas Texas 75221
91.	(S) DREW Ameroid South Africa (Pty) Ltd.	P.O. Box 300 Paarden Eiland 7420 (51-5131/2/3)	J.A.D. Rogers Managing Director 3/	Chemical and engineering suppliers (chemicals & packings & jointings)	*	15	United States Filter Corporation, 522 Fifth Avenue, New York, N.Y. 10036
92.	(S) DUBOIS Chemicals (Pty) Ltd.	P.O. Box 532 Edenvale 1610 (609-1117/8)	A.L. Giulino President 1/	Chemical speciality products, water treatment for all industry	118 Terrace Rd., Edenvale. Same as previous	31	Du Bois International, Du Bois Tower, Cincinnati, Ohio.
93.	(A) DULMISON Preformed Line Products South Africa (Pty) Ltd.	P.O. Box 958 Pietermaritzburg 3200 (2-3244 and 8-7307)	D. Kambouris General Manager 2/	Specialised fittings for overhead electric power lines	Pietermaritzburg. Same as previous	83	Preformed Line Products Co., Box 91129, Cleveland, Ohio 44101
94.	(S) DUN & Bradstreet (Pty) Ltd.	P.O. Box 4522 Johannesburg 2000 (28-3180)	M.P. Sarton Managing Director 1/	Business/ Consumer credit & marketing information & publications	281 Bree St., Johannesburg. Book/Gazettes	430	Dun & Bradstreet Inc., 99 Church Street, New York, N.Y. 10007
95.	(S) ECHLIN-Charger Manufacturing Company (Pty) Ltd.	P.O. Box 10442 Johannesburg 2000 (869-2607/8/9)	C.W. Stewart Managing Director 2/	Parts & accessories for motor cars	Cor. Proton & Energy Rds., Electron, Johannesburg. Parts & accessories for motor cars	125	The Echlin Manufacturing Company, U.S. Route 1 & Echlin Road, Branford, Conn. 06405
96.	(S) ELECTRODE Co. of S.A. (Pty) Ltd. (EMSA)	P.O. Box 43 Meyerton 1960 (01612-21433)	J.E. Slott Managing Director 2/	Graphite electrodes & speciality products	Farm Koekfontein 545 I.Q., District Meyerton Same as previous	550	Union Carbide Corp., 270 Park Ave., New York, N.Y.
97.	(S) ELIZABETH Arden (South Africa) (Pty) Limited	P.O. Box 8 Parow 7500 (983221/6)	Sydney Clinch Waltham Managing Director 2/	Cosmetics	Sacony Rd., Elsies River 7480. Skin treatment & make-up preparations	100	Eli Lilly & Company 307 East McCarthy St., Indianapolis, Indiana 46206
98.	(S) ENCYCLOPAEDIA Britannica (S.A.) (Pty)	P.O. Box 10084 Johannesburg 2000 (21-8314)	G. Druckman Managing Director 2/	Publishers & booksellers	*	43	Encyclopaedia Britannica, Inc., 425 North Michigan Ave., Chicago, Illinois 60611
99.	(A) ENGELHARD Industries (South Africa) (Pty) Ltd.	P.O. Box 9123 Johannesburg 2000 (834-8922)	R.W. Twydell General Manager 2/	Marketing of precious metal products	**	22	Engelhard Minerals & Chemicals Corporation (through Engelhard Industries Ltd., U.K.)
100.	(S) ENGELHARD Ore and Base Metals Corporation	P.O. Box 9123 Johannesburg 2000 (834-2471)	R.K. Lavers Manager in South Africa 2/	Ores metals & chemicals	*	50	Phillipp Brothers Division of Engelhard Minerals & Chemicals Corporation, 299 Park Ave., New York, N.Y. 10017
101.	(S) ENVIRO-TECH (Pty) Ltd.	P.O. Box 70 Isando 1600 (36-8411)	A.J. Harkness Managing Director 3/	Materials handling & processing plant & waste water treatment equipment	Isando. Pumps, vibrating equipment, process plant, rubber and polyurethane moldings. Steeldale, Tvl. Conveyor equipment	532	Envirotech Corporation, 3000 Sand Hill Road, Menlo Park, Calif. 94025

	Name of Local Firm	*Address & Telephone No.*	*Chief Executive Officer*	*Product/Service Category*	*Manufacturing facilities (if any) in South Africa*	*No. of Employees*	*Name & Address of American Parent*
102.	(S) ESSO Standard S.A. (Pty) Ltd.	P.O. Box 78011 Sandton 2146 (33-8911)	Clifford Eugene Lydoon Managing Director 1/	Petroleum products	Pynnlands, Durban - Blend plant. Lube oils	199	Esso Africa Inc., 15-17 Suffolk Street, London SW1 4HS, England
103.	(B) EWING McDonald & Company (Pty) Ltd.	P.O. Box 2579 Johannesburg 2000 (724-0302)	A.A. Macduff 2/	Shippers & exporters	**	**	J.A. Ewing & McDonald Inc., New York, N.Y.
104.	(S) FMC South Africa (Pty) Limited Food Machinery Division	P.O. Box 48 Sanlamhof, C.P. 7532 (97-0771)	A.P. Baw Managing Director 2/	Food processing, packaging and pumping equipment	1 Molecule St., Stikland, Bellville, C.P.	80	FMC Corporation, 200 E. Randolph Drive, Chicago, Illinois 60601
105.	(S) FMC South Africa (Pty) Limited - Materials Handling & Power Transmission Equipment Division	P.O. Box 287 Springs 1560 (56-1411)	A.C. Monteith Managing Director 3/	Bulk Materials handling systems and equipment, power transmission equipment, speed reducers, P.I.V. boxes, chain, bearings	Industry Road, New Era, Springs. Products in the bulk materials handling field	228	FMC Corporation, 200 E. Randolph Drive, Chicago, Illinois 60601
106.	(B) FARRELL Lines International Corp.	P.O. Box 3941 Johannesburg 2000 (724-6451)	Ronald N. Smith Managing Director 1/	Steamship operators	*	2	Farrell Lines Inc., One Whitehall St., New York, N.Y. 10004
107.	(S) FEMO (Pty) Ltd.	P.O. Box 61678 Marshalltown 2107 (838-6371)	J.S. Doherty Managing Director 2/	Motor spares for cars, trucks & tractors, industrial bearings	*	40	Federal-Mogul Corporation, P.O. Box 1966, Detroit, Michigan 48235
108.	(S) FERRO Industrial Products (Pty) Ltd.	P.O. Box 108 Brakpan 1540 (55-8020/8)	B.C. Kitchener Managing Director 2/	Plastics including: color concentrates, pigments, epoxies, release agents & stabilizers; frits including: enamel, ceramic, self-cleaning; engineering including: design/construction kilns; design/installs conveyors & spraying systems; specialized mill linings	Brakpan, Tvl. Same as previous	800	Ferro Corporation, International Division, One Erieview Plaza, Cleveland, Ohio 44114
109.	(A) FIAT-Allis WMT, Turin, Italy	P.O. Box 511 Kempton Park 1620 (975-8080)	J. Wiesner Area Manager 2/	Tractors & earthmoving equipment	*	**	Fiat-Allis Construction Machinery Inc., P.O. Box 802, Milwaukee, Wis.
110.	(A) FIBRE-GLASS South Africa (Pty) Ltd.	Nedbank Sun City, Johannesburg 2001 (23-6827)	H. Cohen Chairman & Managing Director 2/	Fibreglass insulation, and fibreglass raw materials for the re-inforcement of plastics	New Era, Springs - Fibreglass insulation & fibreglass filaments Rosslyn, Pretoria - Filon - corrugated translucent sheeting from fibreglass raw materials Alrode, Alberton - Rilite - reinforced plastics, chemical plant and equipment. Port Elizabeth - Fibreglass parts to the motor industry	800	Owens-Corning Fiberglas Corporation
111.	(S) FIRESTONE South Africa (Pty) Ltd.	P.O. Box 992 Port Elizabeth 6000 (41-2311)	D.F. Marum Managing Director 2/	Tires, tubes & rubber products	Port Elizabeth and Brits - Tires, tubes & rubber products	2370	Firestone Tire & Rubber Company, 1200 Firestone Parkway, Akron, Ohio 44317
112.	(S) FISCHBACH and Moore Systems South Africa (Pty) Ltd.	P.O. Box 8800 Johannesburg 2000 (725-8340)	Edward Allen Managing Director 1/	TV & electronic consultant & management services; installation, testing, commissioning; specialized electronic system component manufacture	*	120	F & M Systems Company,* P.O. Box 29778, Dallas, Texas

	Name of Local Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
113.	(S) FORD Motor Company of S.A. (Pty) Ltd.	P.O. Box 788 Port Elizabeth 6000 (2-7011)	Douglas B. Kitterman 1/	Automobiles trucks, tractors industrial engines & construction equipment, parts & accessories for the above	Port Elizabeth 4 and 6 cylinder engines, disc brakes and crankshafts	5000	Ford Motor Company, The American Road, Dearborn, Mich. 48121
114.	(S) FORDOM Factoring Ltd.	P.O. Box 3107 Johannesburg 2000 (836-4521)	David J. Fink Managing Director 2/	Factoring - Financial services	*	25	Walter E. Heller Overseas Corporation, Chicago, Illinois
115.	(S) FRAM Filters (S.A.) (Pty) Ltd.	P.O. Box 14005 Wadeville, Germiston 1422 (34-3528)	E.G.T. Young 3/	Automotive & industrial filters	**	**	Fram Corporation, Providence, Rhode Island
116.	(S) GABRIEL S.A. (Pty) Limited	P.O. Box 23 Parnevaal 7900 (77-6171)	H.A. Peterson Managing Director 3/	Shock absorbers	Main Rd., Retreat, C.P. Shock absorbers	**	Maremont Corporation, 200 East Randolph Drive, Chicago, Ill. 60601
117.	(S) GAMLEN (South Africa) (Pty) Ltd.	P.O. Box 880 Durban 4000 (47-3900)	J.A. Vorster 2/	Marine & industrial chemicals	**	**	Sybron Corp., 1100 Midtown Tower Rochester N.Y. 14604 (NYSE SYB)
118.	(S) GARDNER-Denver Company Africa (Pty) Ltd.	P.O. Box 81 Kempton Park 1620 (975-8816 to 975-8826)	R. Hide Managing Director 2/	Mining, industrial & construction equipment	Boorton, Kempton Park. Rockdrills & drifters, crawler mounted percussion and rotary drill rigs, sectional drill rod equipment, mining and construction pumps, drill jumbos, portable & stationary compressors & spares for all above machines	313	Gardner-Denver Company, P.O. Box 47114, Dallas, Texas 75247
119.	(S) GATES South Africa (Pty) Ltd.	P.O. Box 38592 Booysens 2016 (836-0163)	K.G. van der Heyden Managing Director 2/	Industrial rubber products	*	61	The Gates Rubber Company, 999 South Broadway, Denver, Colorado 80217
120.	(S) GENERAL Motors Acceptance Corporation South Africa (Pty) Ltd.	P.O. Box 31817 Braamfontein 2017 (725-3860)	Peter A. Taylor Managing Director 3/	Finance company	General Motors Port Elizabeth. Motor vehicles & component parts	80	General Motors Acceptance Corporation, 767 Fifth Ave., New York, N.Y. 10022
121.	(S) GENERAL Motors South African (Pty) Limited	P.O. Box 1137 Port Elizabeth 6000 (48211)	William C. Mott Managing Director 1/	Motor vehicles and diesel electric locomotives, diesel engines and earthmoving equipment.	Port Elizabeth Mfr. & assemble motor vehicles and diesel electric locomotives and large range of motor vehicle components.	5800	General Motors Corporation, General Motors Building, West Grand Blvd., Detroit, Michigan
122.	(A) The GENERAL Tire & Rubber Company (South Africa) Limited	P.O. Box 7816 Sbaytons 2091 (836-8101)	Richard Granville Nicholson Managing Director 2/	Tyres, tubes, retreading materials & other rubber products	Port Elizabeth. Tyres, tubes & retreading materials. Through associated firms, other rubber products manufactured at Airnoe and Boksburg	211	Associated company in U.S.A. General Tire International Company
123.	(S) GEOSOURCE Limited Smith Meter Systems Division	P.O. Box 82632 Southdale 2135 (830-5317)	John C. Ackermann General Manager 2/	Meters, pumps & associated equipment for oil and chemical industry	18 Jasper Rd., Robertsham, Johannesburg Petroleum & chemical liquid meters	16	Smith Meter Systems Division, Geosource Inc., 1602 Wagner Ave., Erie, Pa. 16512
124.	(A) J. GERBER Finance (Pty) Ltd.	P.O. Box 200 Cape Town 8000 (51-1081)	M.H. Goldschmidt 2/	Shippers	**	**	J. Gerber & Company Inc., New York, N.Y. 10001

	Name of Local Firm	*Address & Telephone No.*	*Chief Executive Officer*	*Product/Service Category*	*Manufacturing facilities (if any) in South Africa*	*No. of Employees*	*Name & Address of American Parent*
125.	(S) GILBARCO South Africa (Pty) Ltd.	P.O. Box 3780 Alrode 1451 (864-2942)	A.G. Walker Managing Director 2/	Pumps, meters and valves for the petroleum chemical & water industries	Alrode, Tvl. Gasoline dispensing equipment for petroleum industry	190	Gilbert & Barker Manfg. Co., P.O. Box 22087, Greensboro, North Carolina 27420
126.	(S) GILLETTE South Africa Limited	P.O. Box 81 Springs 1560 (56-9331/ 56-9371)	J.W. Symons Managing Director 3/	Razor blades, toiletries and cosmetics	Springs. Same as previous	381	The Gillette Company, Prudential Tower Building, Boston, Mass. 02199
127.	(S) The GOODYEAR Tyre & Rubber Co. (S.A.) (Pty) Ltd.	P.O. Box 3082 Port Elizabeth 6000 (414161)	A.W. Dunn Managing Director 1/	Tyres, tubes, industrial rubber products and Vitafilm	Uitenhage, C.P. Same as previous	2916	The Goodyear Tire & Rubber Company, 1144 East Market Street, Akron, Ohio 44316
128.	(S) W.R. GRACE Africa (Pty) Ltd.	P.O. Box 138 Edenvale 1610 (609-3100)	G.W. Rowe 3/	Chemical compounds, flexible packaging	**	**	W.R. Grace & Company Grace Plaza, 1114 Ave., of the Americas, New York, N.Y. 10036
129.	(A) GRAMAPHONE Record Company Limited	P.O. Box 2445 Johannesburg 2000 (23-0648)	A. Golombo 2/	Phonograph records & tapes	**	**	CBS International Inc., New York, N.Y.
130.	(S) GROLIER International Inc.	P.O. Box 25121 Ferreirasdorp 2048 (23-4392)	Jay Brooks General Manager 1/	Publishers educational books	*	40	Grolier International Inc., 575 Lexington Ave., New York, N.Y. 10022
131.	(S) HAMMOND Organ S.A. (Pty) Ltd.	Mahogany St., Industrial Sites Klerksdorp 2570 (23329)	A.D. Hainsworth 3/	Organs	**	**	Hammond Corp., Chicago, Ill.
132.	(A) HEINEMANN (South Africa) Limited	P.O. Box 881 Johannesburg 2000 (36-3036)	A.W. Jorgensen Chairman 2/	Circuit breakers	Elandsfontein. Circuit breakers & earth leakage protectors	**	Heinemann Electric Company, Trenton, New Jersey
133.	(A) HELENA Rubinstein S.A. (Pty) Ltd. (an indirect subsidiary through the U.K.)	P.O. Box 5894 Johannesburg 2000 (830-5700)	J.D. Butcher 2/	Cosmetics	**	**	Helena Rubinstein Inc., 300 Park Ave., New York, N.Y. 10022
134.	(S) Walter E. HELLER International Co.	P.O. Box 3107 Johannesburg 2000 (836-4521)	D.J. Fink 2/	Finance company	**	**	Walter E. Heller International Corp., 105 West Adams Ave., Chicago, ILL 60690
135.	(S) HEWLETT Packard South Africa (Pty) Ltd.	Private Bag 1 Wendywood Sandton 2144 (802-1040)	Matthinus J.D. Steyn Managing Director 2/	Electronic measurement, computation, control	*	120	Hewlett Packard International, 3200 Hillview Avenue, Palo Alto, Calif. 94304
136.	(A) HOCHMETALS Africa (Pty) Ltd.	P.O. Box 4458 Johannesburg 2000 (726-1830)	M.S. Hochschild 2/	Metals, minerals & ores	**	**	Semiacorp Inc., 445 Park Ave., New York, N.Y. 10022
137.	(S) HONEYWELL Automation (Pty) Ltd.	P.O. Box 28 Crown Mines 2025 (830-5320)	Maurice William Kirby Managing Director 3/	Process computers & micro switch components	Johannesburg. Thermocouples, central control devices	200	Honeywell Inc., Honeywell Plaza, Minneapolis, Minnesota 55443
138.	(S) HONEYWELL Information Systems (S.A.) Inc.	P.O. Box 10489 Johannesburg 2000 (834-3564)	M. Ringer General Manager 1/	General purpose electronic data processing systems	*	30	Honeywell Information Systems Inc., Honeywell Plaza, Minneapolis, Minn. 55408
139.	(S) HOOVER S.A. (Pty) Limited	P.O. Box 909 East London 5200 (2-4880)	Edward Ernest Ashdown Managing Director 2/	Electrical domestic appliances	East London Vacuum cleaners washing machines, polishers and houseware	300	The Hoover Company, North Canton, Ohio 44720
140.	(S) HYDRO-AIR South Africa (Pty) Ltd.	P.O. Box 48145 Roosevelt Park 2129 (46-8712)	W.H. Le Roux 2/	Roof truss machinery & connector plates	**	**	Hydro-Air International Limited, St. Louis, Mo.

	Name of Local Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
141.	(S) HYSTER Africa (Pty) Ltd.	P.O. Box 172 Isando 1600 (36-1431)	P.R. Law Managing Director 2/	Fork lift trucks, mobile cranes and heavy duty trailers	Isando Same as previous	150	Hyster Company Portland, Oregon
142.	(S) IBM South Africa (Pty) Ltd.	P.O. Box 1419 Johannesburg 2000 (21-4881)	John F. Clarke Managing Director 2/	Data processing machines, office products	Cape Town & Johannesburg Carps	1439	IBM World Trade Corporation, 821 United Nations Plaza, New York, N.Y. 10017
143.	(S) I.N.A. Insurance Company Limited	P.O. Box 6480 Johannesburg 2000 (21-7701)	D.H. Stanwix Managing Director 2/	Short term insurance	*	40	Insurance Company of North America P.O. Box 7728, Philadelphia, Pa. 19101
144.	(S) ITT Consumer Products (Pty) Ltd.	P.O. Box 8724 Johannesburg 2000 (24-0163)	J. Knoop 3/	Television marketing	Pietersburg & Industria. Part of Southern Cross television consortium	60	International Telephone and Telegraph Corporation, 320 Park Avenue, New York, N.Y.
145.	(A) INDUSTRIAL Chemical Products SA (Pty) Ltd.	P.O. Box 1011 Johannesburg 2000 (829-1911)	A.E. Lorent Managing Director 2/	Industrial and Agricultural chemicals	ICP House, Lilianton, Boksburg. Same as previous	180	Amchem Products Inc., Brookside Ave., Ambler, Pa. 19002
146.	(S) INGERSOLL-Rand Company South Africa (Pty) Limited	P.O. Box 3720 Alrode 1451 (864-3830)	D.A. Scott Managing Director 2/	Compressed air equipment	Alberton. Jackhammers & paving breakers	600	Ingersoll—Rand Company, 200 Chestnut Ridge Rd., Woodcliff Lake, N.J. 07675
147.	(S) INMONT South Africa (Pty) Ltd.	P.O. Box 78, Paarden Eiland 7420 (51-2176)	M.G. Wood Managing Director 2/	Printing inks, metal coatings & automotive paints	Cape Town, Johannesburg Durban & East London — printing inks. Epping, C.P., metal coatings. Uitenhage, C.P. - automotive paints	380	Inmont Corporation, 1133 Ave., of the Americas, New York, N.Y. 10036
148.	(A) INTERNATIONAL Factors (South Africa) Limited	P.O. Box 28151 Ferreirastown 2048 (838-3124)	John F. Kutzbers General Manager 2/	Factoring (domestic); import & export; credit management & control; collection of debts & related activities	*	65	The First National Bank of Boston, P.O. Box 1816, Boston, Mass. 02107
149.	(S) INTERNATIONAL Flavors & Fragrances I.F.F. (South Africa) (Pty) Limited	P.O. Box 231 Roodepoort 1725 (763-3821/2)	C.W. de Haan Managing Director 3/	Industrial flavors & fragrances	Technikon Roodepoort. Industrial flavors	19	International Flavors & Fragrances Incorporated, 521 West 57th St., New York, N.Y. 10019
150.	(S) INTERNATIONAL Harvester Company (S.A.) (Pty) Limited	P.O. Box 12 Isando 1600 (36-2751)	D. James Hattie Chairman and Managing Director 1/	Motor trucks, farm tractors, farm implements, light industrial equipment & spare parts	Pietermaritzburg - trucks. Denver, Tvl. - farm implements	1099	International Harvester Company, 401 North Michigan Ave., Chicago, Ill. 60611
151.	(S) JOHN Deere (Pty) Ltd.	P.O. Box 165 Nigel 1490 (739-2388)	F.N. Gilchrist Chairman & Managing Director 1/	Agricultural equipment	Nigel. Same as previous	400	Deere and Company, John Deere Road, Moline, Illinois 61265
152.	(S) JOHNS-Manville (Pty) Ltd.	P.O. Box 46062 Orange Grove 2119 (728-1275)	William T. Prim Vice-President - Area Manager for Africa	Building, industrial & mineral products	*	4	Johns-Manville Corp., Greenwood Plaza, Denver, Colorado 80217
153.	(S) JOHNSON & Johnson (Pty) Ltd	P.O. Box 727 East London 5200 (26093)	Richard L. Cook Managing Director 3/	Surgical dressings & toiletries	East London. Same as previous	618	Johnson & Johnson 501 George St., New Brunswick, New Jersey 08903
154.	(S) S.C. JOHNSON & Son of South Africa (Pty) Ltd.	P.O. Box 56298 Pinegowrie 2123 (48-4823)	A.D. Britten Managing Director 2/	Home, auto, personal care and industrial maintenance products	As previous	100	S.C. Johnson & Son Inc., 1525 Howe St., Racine, Wisconsin 53403

	Name of Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
155.	(S) JOY Manufacturing Co. (Africa) (Pty) Ltd.	P.O. Box 4070 Johannesburg 2000 (869-5241)	W.S. Hill Managing Director 1/	Heavy/medium mining equipment	Steeledale Johannesburg. Scraper winches, diamond drills, coal mining machinery	850	Joy Manuf. Co., Oliver Building, Pittsburgh, Pa. 15222
156.	(S) K.R.C. Resources S.A. (Pty) Ltd.	P.O. Box 8796 Johannesburg 2000 (838-2161)	N.D.A. Hardie 2/	Mineral exploration development	**	**	King Resources, Denver, Colorado
157.	(A) KEAGRAMS Limited	P.O. Box 6888 Johannesburg 2000 (842-3000)	H.L. Bernstein General Manager 2/	Speciality medical products	Aeroton, Tvl. and Durban Same as previous	87	Baxter Laboratories Incorporated. 1 Baxter Parkway, Deerfield, Illinois 60015
158.	(R) KELLOGG Company of South Africa (Pty) Ltd.	P.O. Box 309 Springs 1560 (56-6701/5)	D.A. Wood Managing Director 2/	Ready-to-eat breakfast cereals	**	**	Kellogg Company Battle Creek, Mich.
159.	(S) KELLY-Springfield Tyre Co. S.A. (Pty) Ltd.	P.O. Box 10600 Johannesburg 2000 (22-0135)	W.D.R. Brownie Managing Director 3/	Rubber tyres and tubes & ancillary products	P.O. Box 126 Uitenhage. Same as previous	125	Kelly-Springfield Tire Company, P.O. Box 300, Cumberland, Maryland.
160.	(S) The KENDALL Company of South Africa (Pty) Ltd.	P.O. Box 65 Parow, C.P. 7500 (98-6572)	A.G. Bereton 3/	Surgical dressings, elastic supports, foot products, disposable diapers & hospital products	**	**	The Kendall Company, International Div., 211 Congress St., Boston, Mass.
161.	(S) KENTUCKY Fried Chicken (S.A.) (Pty) Ltd.	P.O. Box 47034 Parklands 2121 (42-8500)	Marshall Lewis Ward Managing Director 1/	Fast Foods	*	350	Heublein International, 1 Professional Park, Farmington, Conn.
162.	(S) KIDDER Peabody (Pty) Ltd.	P.O. Box 61444 Marshalltown 2107 (836-9809)	Fritz Fuerst Chairman 1/	Investment bankers	*	6	Kidder, Peabody & Co., Incorporated, 10 Hanover Square, New York, N.Y. 10005
163.	(S) KODAK (South Africa) (Pty) Ltd.	P.O. Box 739 Cape Town 8000 (51-1231)	D.R. Fisher Managing Director 3/	Photographic products	*	575	Eastman Kodak Company, 343 State Street, Rochester, N.Y. 14650
164.	(S) LAVINO South Africa (Pty) Ltd.	P.O. Box 61058 Marshalltown 2107 (836-2788)	N.G.W. Comyn 2/	Chrome ore	**	**	E.J. Lavino and Company, Div. of International Minerals & Chemical Corp., 3 Penn Center Plaza Philadelphia, Pa.
165.	(S) LEDERLE Laboratories (Pty) Ltd.	P.O. Box 58 Isando 1600 (36-1341)	W.J. DeGenring Chairman 1/	Pharmaceutical preparations & surgical sutures	Isando. Same as previous	115	Cyanamid International, Berdan Ave., Wayne, New Jersey
166.	(S) LILLY Laboratories (S.A.) (Pty) Limited	P.O. Box 98 Isando 1600 (36-1821)	H.E. Schimmelpfenning 1/	Pharmaceuticals & agricultural products	Isando. Same as previous	129	Eli Lilly and Company, Indianapolis, Ind.
167.	(S) LININGS (Natal) (Pty) Ltd.	P.O. Box 173 Johannesburg 2000 (23-3188/9)	D.S. Taperson W.E. Sachs Joint Managing Directors 3/	Interlining & shirt collar component supplier	Durban. Same as previous	150	DHJ Industries Inc., 1345 Ave. of the Americas, New York, N.Y. 10019
168.	(S) LION Chemicals (Pty) Ltd.	P.O. Box 61436 Marshalltown 2107 (838-5782/82)	G.J. Gie Managing Director 2/	Calcium hypochlorite	*	14	Olin Corporation, 120 Long Ridge Rd., Stamford, Conn. 06904
169.	(S) LOCK Joint Pipe Company South Africa (Pty) Ltd.	P.O. Box 78091 Sandton 2146 (784-0273)	John A. Shaw Managing Director 1/	Large diameter prestressed concrete pipe for water supply	Bethal & Cape Town. Same as previous	700	Interpace Corporation, 260 Cherry Hill Rd., Parsippany, N.J. 07054
170.	(S) LUBRIZOL South Africa (Pty) Ltd.	P.O. Box 1682 Durban 4000 (31-6244)	R.G. Hollman 3/	Oil additives	Prospecton. Additive blending plant	48	The Lubrizol Corporation, 29400 Lakeland Blvd., Wickliffe, Ohio 44092
171.	(S) LYKES Lines Agency Inc.	P.O. Box 1237 Durban 4000 (372406/7)	J.F. Barnett Director for South & East Africa 3/	Steamship agency	*	8	Lykes Lines, Agency Inc., Lykes Center, 300 Poydras St., New Orleans, La 70130

	Name of Firm	*Address & Telephone No.*	*Chief Executive Officer*	*Product/Service Category*	*Manufacturing facilities (if any) in South Africa*	*No. of Employees*	*Name & Address of American Parent*
172.	(S) 3M South Africa (Pty) Ltd.	P.O. Box 10465 Johannesburg 2000 (36-3211)	E.C. Woods Managing Director 2/	Pressure sensitive tape & coated abrasives	Elandsfontein. Pressure sensitive tapes and coated abrasives	830	Minnesota Mining and Manufacturing Co., 3M Center, St. Paul, Minn. 55101
173.	(S) MSD (Pty) Ltd.	Private Bag 3 Halfway House 1685 (805-2161)	Howard C. McGarity Chairman 1/	Ethical human pharmaceuticals & veterinary products	Merck Sharp & Dohme Park, Old Pretoria Rd., Halfway House. Same as previous	400	Merck Sharp & Dohme International, Division of Merck & Co., Inc., Rahway, New Jersey 07065
174.	(S) MALLORY Batteries (Pty) Ltd.	P.O. Box 55496 Benmore 2010 (784-3660)	G.W. Neville Managing Director 3/	Mallory Duracell primary mercury, manganese alkaline & other electrical systems	*	12	P.R. Mallory & Co. Inc., P.O. Box 706, Indianapolis, Ind. 46206
175.	(S) MASONITE (Africa) Limited	P.O. Box 8660 Johannesburg 2000 (834-7192)	Peter B. MacFarlane Chairman 3/	Hardboard, insulating board, wood fibre ceiling tiles & wall panelings	Canelands, North Coast, Natal. Hargreaves. Estcourt — all products including hardboard	2036	Masonite Corporation, 29 North Wacker Drive, Chicago, Ill. 60606
176.	(S) MAX Factor & Company	P.O. Box 6074 Johannesburg 2000 (836-0361)	J. Gardner 2/	Cosmetics & toiletries	**	**	Max Factor and Company Inc., Hollywood, Calif.
177.	(S) McGRAW-Hill Book Company (South Africa) (Pty) Ltd.	P.O. Box 371 Isando 1600 (36-1181)	Michael G. Richardson Managing Director 3/	Book distributors and publishers	*	30	McGraw-Hill International Book Co., 1221 Ave. of the Americas, New York, N.Y. 10020
178.	(S) McKINNON Chain (South Africa) (Pty) Limited	P.O. Box 7770 Johannesburg 2000 (834-3201)	L.O. Pearse Managing Director 3/	Chain & chain accessories	Vereeniging & Pietermaritzburg. Same as previous	400	Columbus McKinnon Corporation, P.O. Box 72, Tonawanda, New York 14150
179.	(S) MEASUREX S.A. (Pty) Ltd.	P.O. Box 18370 Dalbridge 4014 (29213 317321/2)	Ted G. Williams Area Manager 3/	Process control computers	*	30	Measurex Corporation, One Results Way Cupertino, Calif. 95014
180.	(S) METRO-Goldwyn-Mayer Films (SA) (Pty)	P.O. Box 9493 Johannesburg 2000 (21-1257)	Neville Primeloo Director 2/	Film importers	*	2	Metro-Goldwyn-Mayer International Incorporated, 10202 West Washington Blvd., Culver City, Calif. 90230
181.	(S) Geo. J. MEYER (South Africa) (Pty) Ltd.	P.O. Box 31356 Braamfontein 2017 (724-6399)	Donald Bracekell Managing Director 3/	Packing equipment for soft drink, brewery & food industries	*	5	Geo. J. Meyer Manufacturing, P.O. Box 452, Milwaukee, Wis. 53201
182.	(S) MIDDLE West Service Company (Pty) Ltd.	4707 Carlton Centre, Johannesburg 2001 (21-1789)	Shelley L. Alexander Manager	Management & engineering consultants	*	**	Middle West Service Corp., 69 W. Washington St., Chicago, Ill. 60602
183.	(S) MIKROPUL (S.A.) (Pty) Ltd.	P.O. Box 7428 Johannesburg 2000 (838-7296)	D.A. Tuck Managing Director 2/	Air pollution control equipment	*	25	United States Filter Corporation, 522 Fifth Ave., New York, N.Y. 10036
184.	(S) MILES Laboratories (Pty) Ltd.	P.O. Box 1329 Cape Town 8000 (45-2005 46-2084)	Dr. John Frank Largier General Manager 2/	Health & nutrition	Epping II, Cape. Biochemicals, diagnostics & food products	130	Miles Laboratories Inc., 1127 Myrtle Street, Elkhart, Indiana 46514
185.	(S) MINE Safety Appliances Company (Africa) (Pty) Ltd.	P.O. Box 1880 Johannesburg 2000 (942-3039/41)	A.M.B. Brown Managing Director 2/	Air Filtration & fire protection equipment, general safety products, process instrumentation & mining cap lamps	Aeroton Township, Baragwanath. Same as previous	594	Mine Safety Appliances Company, 400 Penn Center Blvd., Pittsburgh, Pa. 15235
186.	(S) MOBIL Oil Southern Africa (Pty) Ltd.	P.O. Box 35 Cape Town 8000 (22-8951)	W.F. de la Harpe Beck Chairman & Managing Director 2/	Petroleum products	Durban, Full range of petroleum products (refinery & blending plant)	3300	Mobil Oil Corporation, 150 East 42nd St., New York, N.Y. 10017

	Name of Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
187.	(S) MOHAWK Data Sciences (S.A.) (Pty) Ltd.	P.O. Box 31281 Braamfontein 2017 (724-8294)	A.C. Stewart Managing Director 2/	Computer marketing	*	80	MDS Executive Headquarters, 1599 Littleton Rd., Parsippany, N.J. 07054
188.	(S) MONSANTO South Africa (Pty) Ltd.	P.O. Box 78025 Sandton 2146 (33-8831/2/3/4)	Martin F. Walsh Managing Director 1/	Chemicals, plastics, synthetic textile fibers, agricultural products	*	**	Monsanto Company, 800 North Lindbergh Blvd., St. Louis, Mo. 63166
189.	(S) The MONTROSE Exploration Company Limited	c/o General Mining & Finance Corp., P.O. Box 61820 Marshalltown 2107 (838-1121) (Managers)	A.H. Johnstone Chairman 2/	Producers of chrome ore	**	**	Allied Chemical Corp. Ltd., Morristown, N.J.
190.	(S) MOORE-McCORMACK Lines	P.O. Box 3677 Durban 4000 (31-1300)	Capt. C.D. Wells Managing Director 1/	Ocean shipping	*	7	Moore-McCormack Lines Inc., 2 Broadway, New York, N.Y. 10004
191.	(S) MOTOROLA South Africa (Pty) Ltd.	P.O. Box 39898 Bramley 2018 (786-1164)	M.I. Izzard General Manager	Two-way radio, semiconductor products and automotive products	Cnr. 4th St. & 3rd Ave., Wynberg, Tvl. Automotive products	300	Motorola Inc., 5725 N. East River Road, Chicago, Ill. 60631
192.	(S) MULLER & Phipps Africa (Pty) Limited	P.O. Box 2207 Johannesburg 2000 (23-8724)	G.F. Powell 2/	Grocery, pharmaceuticals, hardware, photo copying equipment	**	**	Muller & Phipps International Corp., 1 Park Ave., New York, N.Y.
193.	(S) MULTI-FOIL (Pty) Ltd.	P.O. Box 64 Kenwyn, Cape 7790 (Cape Town 71-6853)	D.W. Dyer Chairman 1/	Plastics conversion, extrusion of film for production of bags	Kenwyn, Cape	112	Union Carbide Corporation, 270 Park Ave., New York, N.Y. 10017
194.	(S) NCR Corporation of SA (Pty) Ltd.	P.O. Box 3591 Johannesburg 2000 (724-1811)	Alan I. Huskisson Managing Director 2/	Complete business systems including computers, data terminals and free-standing electronic business machines	*	1000	NCR Corporation, Dayton, Ohio 45479
195.	(S) NASHUA (South Africa) (Pty) Ltd.	P.O. Box 23103 Joubert Park 2044 (786-2370/9)	John William Bretton Managing Director 1/	Photocopying machines, supplies and service	*	190	Nashua Corporation, 44 Franklin Street, Nashua, New Hampshire 03060
196.	(S) NATIONAL Chemsearch (SA) (Pty) Limited	P.O. Box 17780 Hillbrow 2038 (643-3061)	Irvin L. Levy Lester A. Levy Milton P. Levy Directors 1/	Industrial maintenance chemicals	**	**	National Chemsearch Corporation, 2727 Chemsearch Blvd., Irving, Texas 75062
197.	(A) NATIONAL Standard Company (S.A.) (Pty) Ltd.	P.O. Box 662 Uitenhage 6230 (21415)	E.A. Pearce Managing Director 2/	Wiredrawing beadwire, copperply and welding wire	Uitenhage. Beadwire, copperply and welding wire	122	National Standard Company, [illegible], Mich.
198.	(S) NEWMONT South Africa Limited	P.O. Box 8343 Johannesburg 2000 (22-1039)	V. Vollet 2/	Ore exploration	**	**	Newmont Mining Corporation, New York, N.Y.
199.	(S) A.C. NIELSEN Company (Pty) Ltd.	P.O. Box 5637 Johannesburg 2000 (836-7891)	M.G. Gorton Managing Director 2/	Marketing research	*	130	A.C. Nielsen International, Inc., Nielsen Plaza, Northbrook, Illinois 60062
200.	(S) NORDBERG Manufacturing Company (South Africa) (Pty) Ltd.	P.O. Box 2253 Johannesburg 2000 (834-3081)	C.A. Tranter	Mining machinery	**	**	Rexnord, Box 383, Milwaukee, Wis. 53201
201.	(S) NORTON Company (Pty) Ltd.	2 Monteer Rd., [illegible]ando 1600 (36-5211)	Ian J. Hetherington 2/	Grinding wheels & coated abrasives & hand tools	**	**	Norton Company, Worcester, Mass.

	Name of Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
202.	(S) OAK Industries (South Africa) (Pty) Ltd.	P.O. Box 1172 Pietermaritzburg 3200 (51311/3)	R.H. Dale 2/	Industrial wire wound resistors, industrial transformer & relays	**	**	Oak Industries Inc., Crystal Lake
203.	(S) O'OKIEP Copper Company	P.O. Box 17 Nababeep (tel. 9)	T.P. Philip General Manager	Mining, milling smelting blister copper	Nababeep	3135	Newmont Corporation, 300 Park Ave., New York, N.Y.
204.	(A) OSHKOSH Africa (Pty) Ltd.	P.O. Box 10 Huguenot 7645 (23191/2)	W.D. Sending Managing Director 2/	Medium to heavy on/off highway trucks	Van Riebeeck Dr., Huguenot, Cape. chassis components, fuel tanks, battery box for medium to heavy duty trucks	325	Oshkosh Truck Corporation, P.O. Box 2566, Oshkosh, Wis. 54901
205.	(S) OTIS Elevator Company Limited	P.O. Box 2729 Johannesburg 2000 (28-2720)	L.W. Reynolds Managing Director 3/	Lift and escalator engineers	Wadeville	1500	Otis Elevator Company, 750 Third Ave., New York, N.Y. 10017
206.	(S) OTTER-MILL Switchgear S.A. (Pty) Ltd.	401 North Coast Rd., Briardene 4001 (83-8366)	Norman Lorant Managing Director 2/	Electrical switchgear, circuit breakers and related lines	Briardene Same as previous	125	Ottermill Switchgear Limited, Ottery St., Mary, Devon Ex11 1AG, England (in which Westinghouse Electric Corp., Pittsburgh, Pa. has an 80% interest)
207.	(A) PALA-BORWA Mining Company Limited	P.O. Box 61140 Marshalltown 2107 (838-1641)	E.S.W. Hunt 3/	Copper, Magnetite, vermiculite & sulfuric acid	**	**	Newmont Mining Corp., 300 Park Ave., New York, N.Y.
208.	(S) PAN American World Airways (South Africa) (Pty) Ltd.	P.O. Box 6363 Johannesburg 2000 (834-6855)	J. Von Ahlefeld Director 1/	Airline	*	26	Pan American World Airways Inc., PanAm Building, New York, N.Y. 10017
209.	(A) PARAGON-Kelite Chemicals (Pty) Ltd.	P.O. Box 382 Bergvlei 2012 (40-7851)	D.S. Pope 2/	Specialized chemicals	**	**	Allied Kelite Chemicals Inc., Terminal Annex, Los Angeles, Calif.
210.	(S) PARKE, Davis Laboratories (Pty) Ltd.	P.O. Box 24 Isando 1600 (36-1831)	E.A. Buy 2/	Pharmaceuticals	**	**	Parke, Davis & Company, Detroit, Mich.
211.	(S) PARKER Hannifin (Africa) (Pty) Ltd.	P.O. Box 1153 Kempton Park 1620 (975-6433)	Ian Jose General Manager 3/	Hydraulics & pneumatics	42 Steel Road, Spartan, Hydraulic hose assemblies, hydraulic & pneumatic cylinders, hydraulic power units	54	Parker Hannifin Corporation, 17325 Euclid Ave., Cleveland, Ohio 44112
212.	(S) The PARKER Pen (Pty) Ltd.	P.O. Box 1046 East London 5200 (25467)	D.C. Brentzke Managing Director 3/	Writing instruments	Bamiers Way, East London Same as previous	350	The Parker Pen Company, 219 East Court Street, Janesville, Wis. 53545
213.	(B) P—E Consulting Group S.A. (Pty) Ltd.	P.O. Box 8960 Johannesburg 2000 (838-6861)	John Fleming 3/	Management consultants	*	**	Roth & Strong Ltd. 21 Worthen Road, Lexington, Mass. 02173
214.	(S) PEPSI-Cola Africa (Pty) Ltd.	P.O. Box 151 Bedfordview 2008 (53-5760)	Hans Peter Holmes Managing Director 3/	Pepsi-Cola products	Cor. Kelvin & Spanner Rds., Spartan, Kempton Park. Soft drink concentrates	30	PepsiCo Inc., Purchase, N.Y. 10577
215.	(S) The PERKIN-Elmer Corporation (S.A.) (Pty) Ltd.	P.O. Box 50136 New Redruth 1452 (869-7641)	Leon Lettig Managing Director 2/	Scientific analytical instruments	*	8	Perkin-Elmer Corporation, Main Ave., Norwalk, Conn. 06856
216.	(S) PERMATEX (S.A.) (Pty) Limited	P.O. Box 543 Florida 1710 (672-8226)	Mervyn Harry Jones General Manager 3/	Adhesives & sealants	9 Yaron Ave., Lea Glen, Florida Same as previous	35	Permatex Incorporated, P.O. Box 1350, West Palm Beach, Florida 33402

Wage levels.—Wage levels was probably the most misinterpreted area of inquiry in the survey. A large proportion of the responding firms used different standards of minimum pay, making comparisons difficult. What is noteworthy, however, is the uneven performance of companies in this respect as compared to other labor policies. Sixteen firms which do not have particularly progressive labor records in other areas compensated their employees at relatively high levels, among them NCR, which, ironically, stated it does not pay equal pay for equal work. On the other hand, some firms such as Ford Motor Co., which had fairly progressive policies in EEO, black training, or other fields, were among the 25 firms paying the lowest level of wages.

Black promotion.—Questions concerning black promotion elicited the most forthcoming replies. The major obstacle American firms identified as inhibiting black promotion was South African law. As Bristol Myers noted, a company could theoretically hire an educated black, but he might not find suitable housing or receive Government permission to work in a white area. White workers and customer resistance were other major hindrances to black promotion.

Responses to inquiries about black promotion revealed that U.S. firms tend to operate without reference to head office guidelines or to public pressure at home. The major incentive for promoting black advancement was enlightened self-interest—the need to raise productivity and to obtain trained manpower which is in short supply.

Training.—Training of black employees is one aspect of multinational labor practices which the South African Government actively supports. Indeed, the South African Government encourages black training through the provision of tax incentives which U.S. firms may be expected to draw upon for improved labor programs. Yet only one-third of the responding firms in this survey had formalized training programs which are needed to qualify for the government's tax credits. Approximately one-fourth of the firms reported ad hoc, on-the-job training, but this is insufficient for the government benefits.

Unions.—Worker representation constitutes the most contentious subject of U.S. corporate activity. Although not legally prohibited, black unions are not officially recognized by the South African Government which fears the political consequences of a black labor movement in a society in which 70 percent of the labor force is black. But while officialdom frowns on labor organization, it tolerates the existence of scores of black unions that are of little effectiveness to date. Foreign firms are reluctant to encourage their development because they may ultimately diminish corporate profitability. Hence, not a single U.S. firm recognizes or negotiates with an African trade union. (Ford Motor Co. has recently announced its intention to recognize a black union, following a similar announcement by a German firm, Volkswagon.)

Sixteen firms indicated they had no worker representation at all and 45 firms said they had partial representation consistent with the government-supported worker/liaison committees. Only seven firms reported having been approached by African union organizers for recognition. Three firms said they would be willing to recognize black unions and negotiate with them without specific conditions. Thirty said they would be willing to do so provided the unions had up to

	Name of Firm	*Address & Telephone No.*	*Chief Executive Officer*	*Product/Service Category*	*Manufacturing facilities (if any) in South Africa*	*No. of Employees*	*Name & Address of American Parent*
217.	(S) PFIZER Laboratories (Pty) Ltd.	P.O. Box 1600 Johannesburg 2000 (28-2320)	R. Mackinnon Chairman 3/	Pharmaceutical, veterinary & agricultural products	Pietermaritzburg. Same as previous	330	Pfizer International Inc., 235 East 42nd St., New York, N.Y. 10017
218.	(S) PFIZER (Pty) Ltd.	P.O. Box 1600 Johannesburg 2000 (28-2320)	R. Mackinnon Chairman 3/	Consumer & cosmetic products	Pietermaritzburg and Johannesburg Same as previous	330	Pfizer International Inc., 235 East 42nd St., New York, N.Y. 10017
219.	(S) PHELPS Dodge of Africa Limited	P.O. Box 31085 Braamfontein 2017 (725-1280)	W.K. Brown President 1/	Mineral exploration & mining	Fluorspar is mined and processed in Zeerust area	306	Phelps Dodge Corporation, 300 Park Ave., New York, N.Y. 10022
220.	(S) PHILLIPS Carbon Black Co. (Pty) Ltd.	P.O. Box 882 Port Elizabeth 6000 (4-8465)	W.H. Whitaker Managing Director 2/	Carbon black	Port Elizabeth. Carbon black	150	Phillips Petroleum Company, Bartlesville, Oklahoma 74004
221.	(A) PIGOTT Moskow and Company Limited	P.O. Box 88 Witfield 1467 (836-3524)	R.G. Nicholson 2/	Rubber products	**	**	General Tire & Rubber Company, Akron, Ohio
222.	**PLACID Oil Company (South Africa)	P.O. Box 9 Randburg 2125 (48-8743/74/79)	John Y. Christopher, Jr. Resident Manager 1/	Oil & mineral exploration & production	*	8	Placid Oil Company, 1600 First National Bank Building, Dallas, Texas 75202
223.	(S) PLAYTEX Africa (Pty) Limited	P.O. Box 3300 Durban 4000 (47-8001)	Frank Davis Managing Director 3/	Women's foundation garments	Durban Same as previous	250	International Playtex Inc., 888 Seventh Ave., New York, N.Y. 10019
224.	(S) PLOUGH S.A. (Pty) Ltd.	P.O. Box 61 Isando 1600 (36-1421)	J.F.B. Hunter	Cosmetics	**	**	Plough Inc., 3022 Jackson Ave., Memphis, Tenn.
225.	(S) POTTER & Moore International S.A. (Pty) Ltd.	P.O. Box 60 Isando 1600 (36-1111)	Philip S. Rolfe Managing Director 2/	Pharmaceuticals, perfume & toiletries	Cnr. Power St. & Tungsten Rd., Isando. Same as previous	120	De Witt International Corporation, P.O. Box 8827, Station B., Greenville, S.C. 29600
226.	(S) PRECISION Valve South Africa (Pty) Ltd.	P.O. Box 82 Rosslyn 0200 (Pretoria - 88-1601)	C.V.P. Large Managing Director 2/	Aerosol valves & accessories, extrusion of plastic tubing, metal pressings, plastic injection molding	Rosslyn. Same as previous	70	Precision Valve Corporation, P.O. Box 309, Yonkers, New York 10702
227.	(S) PRELOAD Africa (Pty) Limited	P.O. Box 1657 Johannesburg 2000 (23-8712)	A.L. Payton Managing Director 2/	Designers & builders of concrete tanks	**	**	Preload Engineering Corp., 839 Stewart Ave., Garden City, N.Y. 11530
228.	PRICE Waterhouse & Co.	P.O. Box 61039 Marshalltown 2017 (838-4481)	D.E.G. Visser Senior Partner 3/	Chartered accountants	*	600	Firm is associated with: Price Waterhouse & Co., 1251 Ave. of the Americas, New York, N.Y. 10020
229.	(S) PYOTT Limited	P.O. Box 363 Port Elizabeth 6000 (45371)	A.M. Shirras Managing Director 2/	Biscuits, cake, wafers, chocolate & dog foods	Port Elizabeth. Same as previous	627	Nabisco Inc., World Headquarters, 190 River Rd., East Hanover, New Jersey 07936
230.	(S) QUADRANT International (South Africa) (Pty) Ltd.	P.O. Box 7254 Johannesburg 2000 (830-8271)	D.F. Coleman 1/	Advertising & market research agency	**	**	The Interpublic Group of Companies Inc., Time & Life Building, 1271 Ave. of the Americas, New York, N.Y. 10020
231.	(S) R—M Pharmaceuticals (Pty) Ltd.	P.O. Box 488 Kempton Park 1620 (975-7000)	V. Diamond 2/	Ethical & proprietary medicines, household commodities, cosmetics	**	**	Richardson-Merrell Inc., 122 East 42nd St., New York, N.Y.
232.	(S) RAMSEY Engineering Africa (Pty) Limited	P.O. Box 494 Florida 1710 (672-4651)	A.J.J. Trotskie Managing Director 2/	Electronic equipment & mass machines	2 Minerva Ave., Lea Glen, Florida. Standard products	21	Ramsey Engineering Company, 1853 West County Road 'C', St. Paul, Minnesota 55113

	Name of Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
233.	(S) READERS Digest Association	Nedbank Centre, Strand St., Cape Town 8001 (41-1874)	H.A.D. Murray 2/	Publisher	**	**	Readers Digest Assn. Inc., Pleasantville, N.Y.
234.	(S) REMINGTON Electric Shaver Div. of Sperry Rand S.A. (Pty) Ltd.	P.O. Box 9723 Johannesburg 2000 (836-0121)	R. Zagel 3/	Electric shavers	**	**	Sperry Rand Corp., New York, N.Y.
235.	(S) REP-PHARM (Pty) Ltd.	P.O. Box 45163 Mayfair 2108 (836-0141)	Ian Stewart Co-ordinator and Controller, South African Operations 3/	Pharmaceuticals	20 Lovers Walk, Fordsburg. Same as previous	130	A.H. Robins Co. Inc., Richmond, Virginia
236.	(S) REVLON South Africa (Pty) Ltd., (an indirect subsidiary thru Venezuela)	P.O. Box 205 Isando 1600 (36-1811)	E.F.W. Sewell Managing Director 3/	Cosmetics, toiletries & fragrances	Isando. Same as previous	400	Revlon Inc., 767 Fifth Ave., New York, N.Y. 10022
237.	(S) REXALL (Pty) Ltd. Limited	P.O. Box 4011 Port Elizabeth 6000 (45991)	J.A. Mellon Managing Director 2/	Health & beauty products	Port Elizabeth. Same as previous	120	Dart Industries Inc., 8480 Beverly Blvd., Los Angeles, Calif. 90051
238.	(S) RHEEM South Africa (Pty) Ltd.	P.O. Box 23141 Isipingo 4110 (92-1831)	R.G. Close Managing Director 3/	Metal containers	Durban & Johannesburg Same as previous	394	Rheem International, 767 Fifth Avenue, New York, N.Y. 10022
239.	(S) A.H. ROBINS Co. (S.A.) (Pty) Ltd.	P.O. Box 45163 Mayfair 2108 (836-0141)	Ian Stewart Co-ordinator and Controller, South African Operations 3/	Pharmaceuticals	20 Lovers Walk, Fordsburg. Same as previous	130	A.H. Robins Co. Inc., Richmond, Virginia.
240.	(S) The ROBBINS Company (Africa) (Pty) Ltd.	P.O. Box 995 Roodepoort 1725 (763-4114)	Sidney B. Henderson Managing Director 2/	Raise boring machines & tunnelling machines	Roodepoort. Blind hole borers	**	The Robbins Co., 650 S. Orcas St., Seattle, Washington 98108
241.	(S) H.H. ROBERTSON (Africa) (Pty) Ltd.	P.O. Box 1929 Johannesburg 2000 (724-9611)	Thomas B. Warren Managing Director 2/	Specialised steel building materials	Isando. Same as previous	700	H.H. Robertson Company, Two Gateway Center, Pittsburgh, Pa. 15222
242.	(S) ROBERTSONS (Pty) Ltd.	P.O. Box 1644 Durban 4000 (84767)	William W. Rinck Managing Director 1/	Consumer products - Food and non-food: dehydrated soups, cubes, sauces, speciality seasonings; household disinfectants, insecticides, air fresheners, paints and other aerosol products	Prospecton, Natal & Alrode, Tvl. Same as previous	729	CPC International Inc., International Plaza, Englewood Cliffs, New Jersey 07632
243.	(S) ROCKWELL Standard of South Africa Ltd.	P.O. Box 764 Kempton Park 1620 (975-8600 975-8680)	Roy Thomas Rogers General Manager 2/	Heavy commercial vehicle & trailer axles & suspensions, maintenance spares	Cnr. Steel Rd. & Newton St., Spartan, Kempton Park. Same as previous (assembly facilities)	25	Rockwell International Corp., 600 Grant Street, Pittsburgh, Pa.
244.	(S) ROHM and Haas (South Africa) (Pty) Ltd.	P.O. Box 78 New Germany, Natal 3620 (Durban 72-3265)	T.F. Harding Managing Director 2/	Industrial & agricultural chemicals & plasticizers	125 Shepstone Rd., New Germany. Same as previous	130	Rohm and Haas/Philadelphia, Independence Mall West, Philadelphia, Pa. 19105
245.	(S) ROYAL Baking Powder (Pty) Ltd.	P.O. Box 191 Kempton Park 1620 (975-9313)	D.L. Huffman Managing Director 1/	Food, nut & laundry products	Isando. Same as previous	300	Standard Brands Inc., 625 Madison Ave., New York, N.Y.

	Name of Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
246.	(S) ROYTON Electrical Engineering (Pty) Ltd.	P.O. Box 7251 Johannesburg 2000 (35-1106)	S. Samuels 2/	Supermarket commercial refrigerators	**	**	Hussman Refrigerators Company, Bridgeton, Mo.
247.	(S) A.S. RUFFEL (Pty) Ltd.	P.O. Box 38 Isando 1600 (36-1311)	Dr. H.E. Scholtz 2/	Veterinary & nutritional products	**	**	Smith Kline & French Laboratories, 1500 Spring Garden St., Philadelphia, Pa. 19101
248.	(S) SAFFOLA Seeds (Pty) Ltd.	P.O. Box 49 Kempton Park 1620 (972-4231/2)	J.B. McOnie Managing Director 2/	Seed merchants mainly corn & sorghum	Farm Hartebeestfontein, Kempton Park District. Cleaning & treatment of seeds	115	Pacific Oilseeds Inc., P.O. Box 1008, Woodland, Cal.
249.	(S) SCHERAG (Pty) Ltd.	P.O. Box 46 Isando 1600 (36-2964)	Hj. Kummer General Manager 3/	Pharmaceuticals & cosmetics	54 Electron Ave., Isando. Same as previous	160	Schering-Plough Corporation, Kenilworth, New Jersey
250.	(S) SCHOLL (S.A.) (Pty) Ltd.	P.O. Box 2095 Cape Town 8000 (47-4306)	I. Nytatte Director 3/	Foot appliances	12 Ravenscraig Rd., Woodstock, C.P. Same as previous	80	Scholl Inc., 211 West Schiller Street, Chicago, Ill. 60610
251.	(S) SCRIPTO of S.A. (Pty) Ltd.	P.O. Box 8047 Johannesburg 2000 (21-5347)	Colin Chered 2/	Writing instruments	**	**	Scripto Incorporated, Atlanta, Georgia
252.	(S) G.D. SEARLE Africa (Pty) Ltd.	P.O. Box 11128 Johannesburg 2000 (32-8421)	Jeff B. Pye Group Managing Director 3/	Pharmaceuticals	*	**	G.D. Searle Co., P.O. Box 5110, Chicago, Ill. 60006
253.	(A) SHULTON Africa Limited	P.O. Box 2982 Johannesburg 2000 (22-3365)	D. Rabinowitz 2/	Men's women's toiletries	**	**	U.S. Shulton Inc., Clifton, New Jersey
254.	(S) SIMPLICITY Patterns (S.A.) (Pty) Ltd.	P.O. Box 9172 Johannesburg 2000 (23-0101)	C.R. Fraser Managing Director 3/	Dress Patterns	*	32	Simplicity Pattern Co. Inc., 200 Madison Ave., New York, N.Y. 10016
255.	(S) SINGER Business Machines (South Africa) (Pty) Ltd.	P.O. Box 6337 Johannesburg 2000 (724-1881)	Thomas John Woodhill Managing Director 3/	Computers, terminals & other business machines	*	62	The Singer Company, Executive Office, 30 Rockefeller Plaza, New York, N.Y. 10020
256.	(S) SINGER South Africa (Pty) Ltd.	P.O. Box 28177 Booysens 2016 (32-8881/3)	Keith Frederick Payne Managing Director 3/	Sewing & knitting machines	*	130	The Singer Company, Thirty Rockefeller Plaza, New York, N.Y. 10020
257.	(S) SMITH Kline and French (Pty) Ltd.	P.O. Box 38 Isando 1600 (36-1311)	D.K. Shone 2/	Pharmaceuticals	**	**	Smith, Kline & French Laboratories, 1500 Spring Garden St., Philadelphia, Pa.
258.	(S) SOUTH African Cyanamid (Pty) Ltd.	P.O. Box 7552 Johannesburg 2000 (83-8831)	W.J. DeGenring Managing Director 1/	Mining, industrial & agricultural chemicals & antibiotics	Witbank, Tvl. Same as previous	343	Cyanamid International, Berdan Ave., Wayne, New Jersey
259.	(S) SOUTH African General Electric Company (Pty) Ltd.	P.O. Box 1905 Johannesburg 2000 and P.O. Box 5031 Benoni South 1502 (52-8111)	Thomas W. Tucker Chairman & Managing Director 1/	Industrial electrical equipment, locomotives, lighting equipment, silicone products & domestic appliances.	1 Van Dyk Rd., Benoni Industrial Sites. Major household appliances, copper wire processes, switchgear, capacitors, loco-filters and airconditioners. Wynberg - silicone products. [illegible] - housewares, fine copper wire processes and calrods. Cape Town - transformers	1932	General Electric Company, 1 River Road, Schenectady, New York, N.Y. 12345

	Name of Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
260.	(S) SOUTH African Paper Chemicals Company (Pty) Ltd.	P.O. Box 47002 Parklands 2121 (784-0223)	A.J. Hotson Chairman 2/ P.T. Francois Managing Director 2/	Paper size & paper chemicals	**	**	Tenneco International Inc., Tenneco Building, Houston, Texas
261.	(S) S.A. PRE-SERVING Co. (Pty) Ltd.	P.O. Box 4423 Cape Town 8000 (51-7161)	J.T. McCarthy Managing Director 1/	Canned fruits & vegetables	Tulbagh, Cape. Same as previous	Regular - 155 Seasonal 1229	Del Monte Corporation, One Market Plaza, San Francisco, Cal.
262.	(S) SPERRY Univac	P.O. Box 5981 Johannesburg 2000 (29-2460)	N. Wagner Managing Director 2/	Electronic data processing equipment & associated products	*	185	Sperry Rand Corporation, 1290 Ave. of the Americas, New York, N.Y. 10019
263.	(S) SPERRY Vickers Div. of Sperry Rand SA (Pty) Ltd.	P.O. Box 4299 Johannesburg 2000 (834-2381)	Ronald Norman Hancox Managing Director 3/	Fluid power industries, hydraulic pumps, motors, valves, packaged systems, pneumatic range of products	18, Hulbert Rd., New Centre, Johannesburg. Packaged systems, pneumatic cylinders	155	Sperry Vickers, Sperry Rand Corporation, P.O. Box 302, Troy, Michigan 48084
264.	(S) SQUARE D Electrical Products (Pty) Ltd.	P.O. Box 212 Leipoordtsvlei 1740 (664-4436)	M. Doyle Marketing Manager 3/	Electrical & distribution equipment	43 Feenan St. Chamdor, Krugersdorp. Same as previous	**	Square D Company Executive Plaza, Park Ridge, Ill.
265.	(S) SQUIBB Laboratories (Pty) Ltd.	P.O. Box 48 Isando 1600 (36-1531)	F.J. Brown General Manager 2/	Human & animal health products	Electron Ave., Isando. Same as previous	123	E.R. Squibb & Sons Inc., P.O. Box 4000, Princeton, New Jersey 08540
266.	(S) STC S.A. Ltd.	P.O. Box 398 Boksburg 1460 (52-8311)	J.J. Williams Managing Director 2/	Telecommunications equipment & components	Boksburg. Telecommunications equip. & components	**	International Telephone & Telegraph Corp., New York, N.Y.
267.	(S) STANLEY Tools (South Africa) (Pty) Ltd.	P.O. Box 1102 Johannesburg 2000 (24-8785/6)	R.J. Frost General Manager 3/	Hand & power tools and hardware	*	22	The Stanley Works, New Britain, Conn.
268.	(S) STEIN, Hall S.A. (Pty) Limited	P.O. Box 4327 Johannesburg 2000 (24-1141 24-6169)	A.M. Hefsingh General Manager 2/	Guar gum	40 Lower Main Reef Rd., Benrose Johannesburg. Flocculents & gangue depressants for mining industry; stabilizers for food industry	32	Celanese Corporation, 1211 Ave. of the Americas, New York, N.Y. 10036
269.	(S) STERLING Drug (SA) (Pty) Ltd.	P.O. Box 32074 Mobeni, Natal 4092 (42-3521)	D.A. Ritter Chairman 1/	Pharmaceuticals & cosmetics	South Coast Rd., Mobeni. Pharmaceutical products	600	Sterling Products Int. Inc., 90 Park Ave., New York, N.Y. 10016
270.	(S) SUPER-SONIC Radio & T.V. Company (Pty) Ltd.	P.O. Box 1524 Johannesburg 2000 (24-0182)	J. Chessey 2/	Radios	Pietersburg. Radios & hi-fi equipment	815	International Telephone and Telegraph Corporation, 320 Park Ave., New York, N.Y.
271.	(S) TAMPAX S.A. (Pty) Limited	P.O. Box 137 Brakpan 1540	A.F. Drysdale 2/	Internal sanitary protection	**	**	Tampax Inc., 5 Dakota Dr., Lake Success, N.Y.
272.	(S) TANATEX South Africa	Private Bag X2022 Pinetown (72-5722)	Paul Alexander Schutte Managing Director 2/	Speciality chemicals for textile industry	18 Gillitts Rd., Pinetown. Same as previous	10	Tanatex Chemical Corporation, P.O. Box 388, Lyndhurst, N.J. 07071 Holding Company: Sybron Corporation, 1100 Midtown Tower, Rochester, New York 14604

	Name of Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
273.	(S) TAYLOR Instrument Cos. (S.A.) (Pty) Ltd.	P.O. Box 9895 Johannesburg 2000 (24-0104 24-1815)	Samuel Cohen 2/	Process control instrumentation, pneumatic & electronic transmitters, computers, etc.	Market House, Vauxhaul St., New Doornfontein	24	Taylor Instrument Companies, 95 Ames St., Rochester, N.Y.
274.	(S) TECHNICAL Adhesives & Chemical Products (Pty) Ltd.	P.O. Box 5034 Benoni South (54-0271 54-8120)	J.C. Weitz General Manager 2/	Industrial adhesives	Luton Rd., Industrial Sites, Benoni Same as previous	30	National Starch and Chemical Corporation, P.O. Box 4800, Bridgewater, New Jersey 08876
275.	(S) TECHNICON Autoanalyser (Pty) Ltd.	P.O. Box 39380 Bramley 2018 (40-2312)	Dr. P. van der Merwe 2/	Automated chemical analysers	**	**	Technicon Corporation Tarrytown, N.Y.
276.	(S) TG EXPLORATION Ltd.	P.O. Box 31198 Braamfontein 2017	E.J. Poole Regional Manager 2/	Mineral exploration	*	14	Texasgulf Inc., 200 Park Ave., New York 10017
277.	(S) TIGER-Miles Protein Industries (Pty) Ltd.	Fedler Street Ext., Randfontein 1760 (693-4221)	G. Clark 2/	Protein foods	**	**	Miles Laboratories Inc., Elkhart, Indiana
278.	(S) TIMKEN South Africa (Pty) Ltd.	P.O. Box 5050 Benoni South 1502 (52-4311)	K.A. Brooke 2/	Roller bearings	**	**	The Timken Company, Canton, Ohio
279.	(A) TITAN Industrial Corporation (1952) (Pty) Ltd.	P.O. Box 60665 Randburg 2125 (48-1160)	Derek Leslie Lee Managing Director 2/	Steel traders	Meyerton, Tvl. Cold finished steel shafting and mine roof bolts	212	Titan Industrial Corporation, 777 Third Ave., New York, N.Y. 10017
280.	(S) TOKHEIM South Africa (Pty) Ltd.	14/16 Mason Rd., Electron, Johannesburg 2001 (869-2201)	P.L. Vleesamp Managing Director 2/	Petroleum handling equipment	Electron, Johannesburg. Petrol pumps	40	Tokheim Corporation, 1602 Wabash Ave., Fort Wayne, Ind. 46801
281.	(S) TRANE So. Africa (Pty) Ltd.	P.O. Box 7767 Johannesburg 2000 (836-0671)	David D. Smith Managing Director 1/	Air conditioning, refrigeration & ventilation equipment	1st St., Booysens Reserve, Johannesburg Air handling products & packaged air conditioning units	87	The Trane Company, La Crosse, Wis. 54601
282.	(B) TRANS World Airlines Inc., (Service Office)	702 Regent House, Cnr. von Brandis & Market Sts., Johannesburg 2001 (23-4028)	David Robertson Manager Sales 2/	Airline	**	**	Trans World Airlines Inc., 605 3rd Ave., New York, N.Y.
283.	(A) TSUMEB Corporation Limited	P.O. Box 40 Tsumeb 9000 (Tsumeb 2100)	Gordon R. Parker Managing Director 2/	Mining & custom smelting; blister copper & refined lead	Tsumeb. Copper & lead smelters	6877	Newmont Mining Corporation, 12th Floor, 300 Park Ave., New York, N.Y. 10022
284.	(S) The TUPPERWARE Company	P.O. Box 89 Constantia Cape 7848 (74-1023)	John Michael Hawkins President 2/	Plastic household containers & toys	Cnr. Lammer & Uranium Rds., Vulcania, Brakpan. Same as previous	200	Dart Industries Inc., P.O. Box 3157, Terminal Annex, Los Angeles, Calif. 90051
285.	(S) TWENTIETH Century Fox Films S.A. (Pty) Ltd.	Old Arcade Building, 100 Market St., Johannesburg 2001 (838-9081)	C.B. Rawsthorne 2/	Motion picture distributors	**	**	20th Century-Fox Films Corp., 444 West 56th St., New York, N.Y.
286.	(S) TWIN Disc (South Africa) (Pty) Ltd.	P.O. Box 75140 Gardenview 2047 (616-4300 616-5016)	John H. [illegible] Chief Executive 1/	Power transmission equipment	*	12	Twin Disc Incorporated, 1328 Racine St., Racine, Wis. 53403
287.	(S) UCAR Chrome Company (S.A.) (Pty) Ltd.	P.O. Box 8194 Johannesburg 2000 (21-7387)	D.W. Dyer 1/	Chrome ore	Steelpoort, E. Tvl. Mines chrome ore	133	Union Carbide Corp., 270 Park Ave., New York, N.Y. 10017

	Name of Firm	Address & Telephone No.	Chief Executive Officer	Product/Service Category	Manufacturing facilities (if any) in South Africa	No. of Employees	Name & Address of American Parent
288.	(S) UCAR Minerals Corporation	P.O. Box 8194 Johannesburg 2000 (21-7387)	D.W. Dyer 1/	Vanadium pentoxide	Near Pretoria, Mining & milling facilities	388	Union Carbide Corp., 270 Park Ave., New York, N.Y. 10017
289.	(S) UNBRAKO (Pty) Ltd.	P.O. Box 7202 Johannesburg 2000 (22-0147)	S.D. Howarth Managing Director 2/	High tensile socket fasteners, engineering & aerospace industries	**	**	Standard Pressed Steel Company, Jenkintown, Pa.
290.	(S) UNION Carbide South Africa (Pty) Ltd.	P.O. Box 8194 Johannesburg 2000 (21-7387)	D.W. Dyer Chairman 1/	Chemicals, plastics, agricultural chemicals	Through subsidiary Multifoil (Pty) Ltd., Cape. Plastics conversion, extrusion of film for production of bags	62	Union Carbide Corp., 270 Park Ave., New York, N.Y. 10017
291.	(S) UNIROYAL (Pty) Ltd.	P.O. Box 4945 Johannesburg 2000 (21-2721)	R.E. Stack 1/	Tyres, chemicals & industrial rubber goods	Port Elizabeth - Tyres & tubes. Sasolburg - chemicals. Howick - industrial rubber goods	218	Uniroyal Inc., 1230 Ave. of the Americas, Rockefeller Center, New York, N.Y. 10020
292.	(S) UNITED Artists Corp. (S.A.) (Pty) Ltd.	P.O. Box 7882 Johannesburg 2000 (21-1811)	Tom Sjoberg 2/	Film distribution	*	27	United Artists Corp., 729 7th Ave., New York, N.Y.
293.	(S) UPJOHN (Pty) Ltd.	P.O. Box 246 Isando 1600 (36-2771)	J.O. Korsten 2/	Pharmaceuticals	**	**	The Upjohn Company, Kalamazoo, Mich.
294.	(S) VALVOLINE Oil Company S.A. (Pty) Ltd.	P.O. Box 14083 Wadeville 1422 (34-2644)	Arie Roest Managing Director 2/	Lubricant oils, rust preventatives car care products	Island View, Durban. Same as previous	120	Valvoline Oil Company, International Division, P.O. Box 391, Ashland, Kentucky 41101
295.	(S) VALENITE Modco (Pty) Ltd.	P.O. Box 405 Kempton Park 1620 (975-6365 975-6223)	F.M. Weir 2/	Tungsten carbide & special purpose engineering tooling	**	**	The Valeron Corporation, 22150 Greenfield Rd., Suite 300, Oak Park, Mich. 48237
296.	(S) VAN Dusen Aircraft Supplies	P.O. Rand Airport, Germiston 1400 (34-8984)	Lin McLintock 2/	Aircraft parts	*	16	Van Dusen Air Incorporated, 2801 East 78th St., Minneapolis, Minn. 55420
297.	(S) WARNER Bros. (Africa) (Pty) Ltd.	P.O. Box 6823 Johannesburg 2000 (23-2378/9)	Wayne Duband 2/	Motion picture film distribution	**	**	Warner Bros. Inc., 4000 Warner Blvd., Burbank, Calif.
298.	(S) WESTINGHOUSE Electric S.A.	P.O. Box 31024 Braamfontein 2017 (724-2861)	W.M. Riley Vice-President 1/	Electrical power, industrial & building electrical equipment	*	12	Westinghouse Electric Corp., Westinghouse Building, Gateway Center, Pittsburgh, Pa. 15222
299.	(S) G.J. WEVELL (Pty) Ltd.	P.O. Box 10103 Johannesburg 2000 (834-2581/2/3/4)	Richard Page Dowson Fuller Managing Director 2/	Industrial chemicals & suppliers to the metal finishing industry	15 Kinson Rd., Robertsham, Johannesburg. Same as previous	36	M&T Chemicals Inc., American Lane, Greenwich, Conn. 06830
300.	(A) WHINNEY Murray Ernst and Ernst	P.O. Box 7883 Johannesburg 2000 (834-7351 834-8821)	Owen Joseph Sherry Senior Partner and S.A. National Chairman 2/	Accountants and auditors	*	370	Whinney Murray Ernst and Ernst, 1300 Union Commerce Building, 925 Euclid Avenue, Cleveland, Ohio 44115
301.	(S) WHITEHALL Products S.A. (Pty) Limited	P.O. Box 7181 Johannesburg 2000 (34-6101)	Stanley F. Janet 2/	Pharmaceutical, toilet & household products	**	**	American Home Products Corp., 685 3rd Ave., New York, N.Y.
302.	(S) WILBUR Ellis Company (Pty) Ltd.	P.O. Box 4258 Cape Town 8000 (55-2985 55-8371)	S.J. Hurst Managing Director 2/	Foodstuffs, feedstuffs, engineering & marine goods	*	60	Wilbur-Ellis Company, 320 California St., San Francisco, Calif. 94104

	Name of Firm	*Address & Telephone No.*	*Chief Executive Officer*	*Product/Service Category*	*Manufacturing facilities (if any) in South Africa*	*No. of Employees*	*Name & Address of American Parent*
303.	(S) WILLARD Africa (Pty) Limited	P.O. Box 4025 Port Elizabeth 6000 (4-6321)	D.G. Rist General Manager 2/	Batteries	Port Elizabeth Batteries, automotive and industrial	290	ESB Incorporated, Box 8109 Philadelphia, Pa.
304.	(S) WYETH Laboratories (Pty) Ltd.	P.O. Box 42 Isando 1600 (36-2331/5)	Jackson R. Tuck Managing Director 2/	Pharmaceuticals and infant nutritionals	Isando. Entire product line	334	Wyeth International Limited, P.O. Box 8616, Philadelphia, Pa. 19101/American Home Products Corporation, 685 Third Ave., New York, N.Y. 10017
305.	(A) Arthur YOUNG & Company	P.O. Box 4607 Cape Town 8000 (22-6381)	H.G.L. Albertyn Partner 2/	Accounting and auditing	*	380	Associate firm: Arthur Young & Company, 277 Park Ave., New York, N.Y. 10017
306.	(A) Arthur YOUNG & Company	P.O. Box 454 Johannesburg 2000 (838-6226)	L. Albertyn Managing Partner 2/	Chartered accounts and auditors	*	310	Arthur Young & Company, 485 Lexington Ave., New York, N.Y. 10017

ENTRIES RECEIVED TOO LATE FOR INCLUSION IN MAIN LIST

	Name of Firm	*Address & Telephone No.*	*Chief Executive Officer*	*Product/Service Category*	*Manufacturing facilities (if any) in South Africa*	*No. of Employees*	*Name & Address of American Parent*
307.	(B) AMERICAN Airlines Inc., (Sales Office)	Trust Bank Bldg., Eloff Street, Johannesburg 2001 (21-3001 21-3409)	Michael Tyler Area Representative — Africa 1/	Airline	*	2	American Airlines Inc., 633, Third Ave., New York, N.Y. 10017
308.	(S) BLUE Bell Wrangler (Pty) Ltd.	P.O. Box 32200 Mobeni 4060 (42-6211)	I.G. Lyons 2/	Casual clothing	Mobeni. Same as previous	**	Blue Bell Inc., Greensboro, N.C.
309.	(A) LANTOR Nonwovens of S.A. (Pty) Ltd.	P.O. Box 491 Pinetown 3600 (72-1044)	D.A. Whitehead 3/	Nonwoven materials & products	Pinetown. Same as previous	**	West Point Pepperell Inc., West Point, Ga. thru Lantor International, U.K.
310.	(A) LARAL Pizza Dens (Pty) Ltd. trading as "Pizza Inn"	P.O. Box 68956 Bryanston 2021 (48-0609)	J.A. Irvine Managing Director 2/	Pizza restaurant chain	*	20	Pizza Inn Inc., 2930 Stemmons Freeway, Dallas, Texas
311.	(B) STOWE-Woodward STR (S.A.) (Pty) Ltd.	P.O. Box 12035 Jacobs 4026 (47-6321)	W. Bole 2/	Re-covering of rubber rollers	Jacobs. Service facilities	**	Stowe-Woodward Co., Newton, Mass.
312.	(B) WESTERN Airlines Inc. (Sales Office)	Trust Bank Bldg., Eloff Street, Johannesburg 2001 (21-3001 21-3409)	Michael Tyler Area Representative — Africa 1/	Airline	*	2	Western Airlines Inc. 6060 Avion Drive, Los Angeles, Cal. 90009

FIRMS NOT SEPARATELY INCORPORATED IN SOUTH AFRICA BUT HAVING DIRECT FACTORY OR COMPANY REPRESENTATIVE

	Name and Address U.S. Company	Product Category or Representative's Function	Name and Address of Representative
313	BOEING Company Seattle, Washington	Passenger jet aircraft	Kingsley N. Smith 3/ Customer Support Manager Jan Smuts Airport, Tvl. (975-7421) M.O. Hansen 1/ Boeing 747 Representative Jan Smuts Airport, Tvl. (975-7421)
314	CUMMINS Diesel International Limited	Diesel engines	A.W. Henderson 3/ P.O. Box 78190 Sandton 2146 (40-6891)
315	ESSEX Minerals Co. Subsidiary of U.S. Steel Corp., Pittsburgh, Pa.	Raw materials investigation (Africa)	Paul S. Bagnall 2/ P.O. Box 78698 Sandton 2146 (784-0571)
316	INTERNATIONAL Harvester Export Company, Illinois	Earthmoving machinery, farm machinery & motor trucks	L.V.C. Reid 3/ Territorial Manager J.R. Bell 1/ Territorial Manager 61 Pretoria Road, Kempton Park, Tvl. 1620 (975-8950)
317	UNITED States Steel International, Pittsburgh, Pa.	General Manager- Africa Minerals and Mining	N.A. Moberg 1/ P.O. Box 61078 Marshalltown 2107 (836-6945/6/7)
318	UNITED Technologies International Inc. Hartford, Conn.	Aircraft engines and helicopters	W.B. Scott Chairman Colin Struthers, Managing Director P.O. Box 528 Kempton Park 1620 (975-7401)
319	M.R.S. Manufacturing Co. Flora, Mississippi	Four-wheel tractors	J.A. Johnson 1/ P.O. Box 52132 Saxonwold 2132 (42-6245)

FIRMS OWNED BY AMERICAN CITIZENS LIVING IN SOUTH AFRICA

Name of Firm	Address and Telephone No.	Product Category	Name of Owner
ACCESS Southern Africa (Pty) Limited.	P.O. Box 7982 Johannesburg 2000 (21-1751 & 42-4103)	Investment consultants	Charles F. Hagen
AMRHO International S.A.	P.O. Box 61073 Marshalltown 2107 (21-1975 & 21-2052)	Railroad refrigeration, highway & earth moving equipment	S. Feldman
BALKIND'S Agencies (Pty) Limited	P.O. Box 10575 Johannesburg 2000 (22-6711)	Exclusive giftware	M. Balkind G. Balkind
DAIRY Den (Pty) Ltd.	Main Pretoria Road, Wynberg, Johannesburg 2001 (40-2265)	Sno-Kream	T.R. Dennen
FORSYTH Udwin (Pty) Ltd.	P.O. Box 40165 Cleveland 2022 (25-7991)	Window hardware, folding doors and general engineering	William A. Miller
Tedd McKUNE Investment Co. (Pty) Ltd.	12 Medburn Road Camps Bay Cape Town 8001 (48-9812)	Investment company	Robert (Tedd) McKune
C.J. PETROW & Co. (Pty) Ltd.	P.O. Box 11000 Johannesburg 2000 (838-7072)	Raw asbestos	C.J. Petrow
PICKIN Chickin (Pty) Ltd.	Main Pretoria Road Wynberg Johannesburg 2001 (40-2265)	Drive—In restaurant	T.R. Dennen
PREMIX Asphalt Company	P.O. Box 2 Paarden, Eiland 7420 (51-7388)	Ready-mixed road asphalts	H.R. Oglesby
Charles St. THOMAS Group (Pty) Ltd.	P.O. Box 5631 Johannesburg 2000 (788-1480)	Management consultants (including executive placements)	Charles St. Thomas

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The numbers below refer to the sequence in which the firms appear in the alphabetic listing on pages 1 to 23

100-percent worker representation or a clear majority representation of workers in a particular field or industry. Others were more vague about the conditions they attached to their theoretical willingness to endorse unionism. On balance, American business support of African trade unions appears to be little more than lip service.

Representations to the South African Government.—This area of inquiry probed the extent to which U.S. firms attempted to gain legal exemptions from the South African Government's restrictive labor policies or to press for a relaxation of these regulations. Twenty-eight firms requested exemptions from a labor-related law but only four were granted their requests. Eleven firms were contacted by the South African Government for violations. Rockwell International described its fine as "minor" and W. R. Grace was penalized with a $35 fine for a technical violation. The leniency with which the Government has treated U.S. firms suggests that they operate well within the law and customs of the society.

U.S. representations and new investment.—At the time of this survey, most firms reported that U.S. policy does not affect their ability to do business in South Africa. Only seven of the responding firms said their executives had met with U.S. officials to discuss aspects of U.S. policy that might change. U.S. firms generally opposed policies aimed at withdrawal or at international pressure on South Africa.

Three firms reported new investments being planned—South African Cyanamid, Esso Mineral Africa Inc. (a subsidiary of Exxon), and Preformed Line Products. Regarding potential U.S. actions which might affect business operations, 31 firms said they would be affected if Export-Import Bank facilities were ended, 50 firms stated their operations would be seriously affected if tax credits were ended to firms investing in South Africa, and 27 firms indicated that both of these changes would affect their South African business activities.

Conclusions

Today, South Africa is more dependent on international credit and capital than ever before. It has a heavy debt burden, direct foreign investment has dropped substantially, and medium-term lending has reportedly reached its limit. Defense and security related expenditures continue to soar and black demands are accelerating at an ever increasing pace. A measure of South Africa's economic squeeze is the government's recent decision to increase house rents in Soweto, the most politically explosive township in South Africa, in some cases by as much as 80 percent of the current rate. The demand for revenue apparently outweighted the obvious political risk entailed by the decision, made at a time of heightened racial tensions following the death of Steve Biko, one of South Africa's most prominent black leaders, and the massive bannings and detentions of opponents of apartheid.

U.S. economic interests in South Africa may not be decisive in bailing South Africa out of its economic woes. But there is no question that it has been pivotal in directly assisting the South African Government during its worst economic difficulties in the past, and, if permitted, could do so in the future. International credit provided the margin of funds needed by South Africa in the 1974–76 period to

PRINCIPAL TRADE AND INDUSTRY ASSOCIATIONS IN SOUTH AFRICA

Association of Chambers of Commerce of South Africa (Assocom)
P.O. Box 694
Johannesburg
2000 Tel.: 31-5481

Johannesburg Chamber of Commerce
P.O. Box 687
Johannesburg
2000 Tel.: 31-5489

Bloemfontein Chamber of Commerce
P.O. Box 87
Bloemfontein
Orange Free State
9300 Tel.: 7-7537

Cape Town Chamber of Commerce
P.O. Box 206
Cape Town
8000 Tel.: 2-2374

Durban Chamber of Commerce
P.O. Box 1506
Durban
4000 Tel.: 6-3692

East London Chamber of Commerce
P.O. Box 696
East London
5200

National African Federated Chamber of Commerce
P.O. Box 189
Ga-ran Kuwa
0208

Pietermaritzburg Chamber of Commerce
P.O. Box 757
Pietermaritzburg
3200 Tel.: 2-8864

Pietersburg Chamber of Commerce
P.O. Box 126
Pietersburg
0700 Tel.: 5361

Port Elizabeth Chamber of Commerce
P.O. Box 48
Port Elizabeth
6000 Tel.: 41-4156

Afrikaanse Handelsinstituut (Afrikaans chamber of commerce organization)
613 Constantia Building
Pretoria
0002 Tel.: 48-5748

S.A. Federated Chamber of Industries
P.O. Box 4516
Pretoria
0001 Tel.: 2-5351

South Africa Foreign Trade Organization (SAFTO)
P.O. Box 9039
Johannesburg
2000 Tel. 834-8011

U.S. GOVERNMENT COMMERCIAL OFFICES IN SOUTH AFRICA

American Embassy — Economic Section
7th Floor, Thibault House
Pretorius Street
Pretoria
0002 Tel.: 012-484266

American Consulate General — Commercial Section
11th Floor, Kine Center
Commissioner & Smal Streets,
Johannesburg
2001 Tel.: 21-1684/7

American Consulate General — Commercial Section
4th Floor, Broadway Industries Center
Heerengracht
Cape Town
8001 Tel.: 47-1280/87

American Consulate General — Commercial Section
1400 Norwich Union House
6 Durban Club Place
Durban
4001 Tel.: 2-8389

AMERICAN CONSULATE GENERAL

Johannesburg, South Africa

COMMERCIAL SECTION

Note: While an intensive effort was made to have this list as complete as possible, if your firm is not included, please complete and return the following form to the Commercial Section, American Consulate General, P.O. Box 2155, Johannesburg 2000. Your company will then be included in the next revision of the list.

---

1. Name, address and telephone number of subsidiary or affiliate:

2. Specify relationship to U.S. company: subsidiary or affiliate:

3. Name and address of U.S. principal company:

4. Plant location(s) in South Africa, if any:

5. Total number of employees in South Africa:

6. Principal officer(s) in South Africa:

7. U.S. products, goods or services provided by your firm:

Appendix C

Too Little, Too Late - The U.S. Corporation Employment Manifesto For South Africa

Twenty six million people live in South Africa today. Only four million, all of them white, are citizens. The three million men and women classified as "Coloured" (mixed race) and "Indian" (Asian) fall into a nebulous non-citizen category, while the nineteen million Africans are considered outright foreigners. The Africans were born in South Africa, grew up in South Africa, work in South Africa and will die in South Africa - but they are black, and thus "foreigners". Only whites have the rights of citizens in South Africa. Only whites can exercise political power and organize economic power. Africans cannot vote, buy or sell land, own factories, or mobilize their strength as workers in recognized trade unions. They have been stripped of all power. They have no control over their lives or their future.

Thus, the issue of power is at the core of the black demand for change, in South Africa. Africans are not struggling and dying to reform or improve apartheid. They want nothing less than the total abolition of the system and the establishment of a new state based on full popular participation. To propose change in any lesser terms is trivial and irrelevant.

U.S. Companies Propose "Principles"

Unfortunately the "Six Principles" recently signed by twelve major U.S. corporations, all active investors in South Africa, is just such an exercise in triviality. The declaration was signed by:

American Cyanamid Company
Caltex Petroleum Corporation
Citicorp
Ford Motor Company
General Motors Corporation
International Business Machines Corporation
International Harvester Company
Minnesota Mining & Manufacturing Co.
Mobil Oil Corporation
Otis Elevator Company
Union Carbide Corporation

The corporations agreed to support the following operating principles:

1. Non-segregation of the races in all eating, comfort and work facilities.

2. Equal and fair employment practices for all employees.

3. Equal pay for all employees doing equal or comparable work for the same period of time.

4. Initiation of and development of training programs that will prepare, in substantial numbers, Blacks and other non-whites for supervisory, administrative, clerical and technical jobs.

5. Increasing the number of Blacks and other non-whites in management and supervisory positions.

6. Improving the quality of employees' lives outside the work environment in such areas as housing, transportation, schooling, recreation and health facilities.

In the abstract, the principles make unobjectionable reading. The catch lies in what they exclude, rather than what they include. There is no demand for any change in the fundamental structure of apartheid, no demand for black political rights, and, closer to home, no commitment to negotiating with black trade unions, or demands for their recognition by the government.

The fact that the "principles" were endorsed by the South African government gives a clear indication of how far they fall short of presenting any challenge to apartheid. Referring to the declaration, Minister of Information Connie Mulder stated, "In expressing a desire to contribute to the well-being of the Black worker in South Africa, these American companies are to be commended. In fact, the authorities welcome their declared intent to give further impetus to existing extensive development programs in South Africa."

Consulting South Africa

Chief architect of the negotiations leading to corporate acceptance of these principles was the Rev. Leon Sullivan, a black minister, Director of Opportunities Industrialization Centers, (a nation-wide job training program that has also been given government contracts to develop programs in Africa) and a member of the General Motors board of directors. Sullivan himself has conceded in the past that U.S. corporations probably ought to withdraw from South Africa. Yet it took him 18 months to pursuade 12 corporations to accept the set of principles, surely a monument to the fundamental reluctance of U.S. corporations to oppose apartheid stability at any level.

Indeed, the corporations have been so cautious, so unwilling to antagonize South African authority that adoption of the principles was not announced until after the declaration had been checked out with Ambassador Roelof Botha, South Africa's representative in Washington. Key wording was changed at his request. The original draft had stated that "where implementation requires a modification of existing South African laws and customs we will seek such modification through appropriate channels". The final draft eliminated all reference to changing laws and customs, and talked only about modifying "working conditions".

No Confrontation with Apartheid

The corporations have deliberately avoided confronting apartheid, by treating it primarily as a problem of work-place racial discrimination. In reality, the white government refuses to consider Africans as anything other than transient, migrant labor units, whose only recognized homes are the fragmented 'tribal' bantustans. Without political power blacks will always be subordinate to whites, who control the economy to their own advantage. Thus the issue of job reform, in isolation, is illusory.

Even within their own narrow limits the principles are subject to a wide range of interpretation within the South African context. The whole body of South African law reinforces the inferior status of black workers. Under the Industrial Conciliation Act, Africans are not even defined as employees, and under that act certain jobs can be reserved for Whites only. Further, the law in South Africa prevents Africans from being members of any trade union which is recognized by the government as a legal bargaining agent - and many industrial agreements provide that skilled jobs can be made available only to members of a registered (i.e. white) trade union.

Corporations are being forced by economic necessity - primarily the shortage of skilled white labor - to use blacks in more skilled jobs today: thus the move for training programs. But in order to maintain the relative cheapness of black labor they have used a variety of techniques. These include work re-definition and job-fragmentation, or breaking up a skilled process into unskilled parts in order to create"new" lower-paying job categories for black workers. In this situation equal pay for equal work becomes a meaningless slogan - because blacks do not have access to equal work.

Moreover, the principles themselves provide a built-in escape clause against having to pay the majority of black workers wages equal to white workers, by referring to "comparable work for the same time". Last hired, first fired is a constant principle in relation to black workers. In addition, skilled jobs have been open to blacks only for a short time. The record to date of U.S. corporations operating in South Africa shows that they have followed the general pattern of paying blacks much less than whites, and using them primarily at least skilled work levels.

Black and white workers already work alongside one another on the shop floor, and the law does not explicitly bar a black worker from supervising whites; but white trade union prejudice, custom and power have barred this practice as effectively as any law, and the companies have not specifically pledged themselves to challenge this tradition. A few companies have integrated canteens and recreation areas, but no blacks sit at the table when the board of directors meets.

A slogan of equal and fair employment must inevitably ring hollow in the ears of a black worker in South Africa.

Because black workers have no political power and no union recognition they are forced to accept white definitions of fairness. There can be no equality of opportunity in a country where one group of workers on the basis of skin color is excluded from education; is forced to live under exhausting conditions, often in crowded hostels, away from family or friends; is constantly subject to the threat of being arrested under a battery of special laws which control movement, the right to be in a particular place, the right to go out at night; where making any complaint about a job may lead not only to instant dismissal, but also to "endorsement out" of a town, back to the bantustan where there are no jobs. Above all, there can be no equality of opportunity where one group of workers is denied the right to effective trade union organization.

Yet, significantly, the employment principles make no mention of collective bargaining or recognition of Black trade unions - measures which would move in the direction of placing real power in the hands of black workers. The wage gap, discriminatory pay rates, and inferior canteen and working facilities are linked to the fact that Africans have no right to effective organization. Any program to "improve the quality of life" can only be seen as tokenism until blacks can exercise the workers' right to change their conditions of work. Not surprisingly, corporations which have a long history of resisting militant unionization among their workers in the U.S. are not apostles for trade union recognition in South Africa.

<u>Corporate Aid to Apartheid</u>

There is another profound gap in the issues addressed by this manifesto - and that is the role played by U.S. investors in bolstering and butressing the apartheid system. All the corporate signatories have played an active role in providing capital, technology, skills and knowhow to South Africa. Many of them are government contractors. Tim Smith of the Interfaith Center on Corporate Responsibility (associated with the National Council of Churches) recently pointed out: "Citibank is a signatory, yet Citibank has made loans of over $300 million to the South African government; IBM is a signer yet IBM places no restrictions on computer sales in South Africa which could be used for repressive purposes; Mobil is a signer yet Mobil apparently still provides oil for Rhodesia and sells petroleum to the South African military; Union Carbide has invested in one bantustan and on the border area of another, and is involved in a $50 million expansion; Ford still sells trucks when asked to by the South African police and military; Caltex is in the midst of a $134 million expansion in South Africa."

"All of those companies are sizeable U.S. investors providing capital and technology, skills and knowhow to South Africa. In short, most of the major issues church stockholders have raised during the last decade are totally ignored by the manifesto."

A Re-write of the 'Polaroid Experiment'

The corporations have tried to invest their plan with an aura of originality, presenting it as a significant step forward for the role of U.S. companies in South Africa. In fact the plan is at least seven years old. Similar proposals were made by the Polaroid Corporation, in 1970, when it announced its grand "experiment", on the heels of a nationwide boycott of Polaroid products, initiated by black workers in the company's Boston plant.

Polaroid's widely publicized position at that point ran as follows: we abhor apartheid, but if we cut ourselves off from South Africa we end our chances of exerting influence to change this policy. Thus we carry on business and use our influence to raise the salaries of non-white employees, initiate programs to "train non-white employees for important jobs" and commit a portion of our profits to encourage education. "We hope other American companies will join us in this program. Even a small beginning...can have a large effect in South Africa."

No Change in Government Policy

Enough time has gone by to show the futility of such an approach. The profound gap between white wealth and black poverty has actually widened. In 1969, the gap between the average monthly pay for South Africa's white and black industrial workers was $259. By September 1975, the gap had risen to $463, despite wage increases; in 1975 the average black industrial worker was earning $125 a month, his white counterpart earned $589 a month. The poverty datum line, that is the absolute minimum income on which a family can barely survive, was calculated at $149 a month for a black family living in Soweto in 1975. In other words, by 1975 the average black worker was still being paid less than survival wages, despite Polaroid's "reforms" and the wide -scale activities of U.S. corporations.

The view on other fronts is equally grim. Political repression has grown still more intense. Prime Minister Vorster and his colleagues have made it abundantly clear that they do not intend to change their policies in the future. "There can be no black politics in a white area" said Minister of Justice Jimmy Kruger, after the Soweto uprising. In October 1976, New York Times correspondent John Burns asked Vorster whether blacks would ever exercise political power in South Africa. The Prime Minister answered bluntly "I cannot forsee such a day at all". As late as February 1977, Vorster made a speech before Parliament refusing to consider any change in the pass law system, although more sophisticated South African whites had urged him to do so to avoid the explosive situation now visible on the horizon.

It has become clear that change in South Africa will not come from some superficial tinkering with employment practices.

Indeed the "six principles" have earned harsh criticism from the more far-sighted among the white business community, who recognize that the mood of the people is growing increasingly angry. They believe that large concessions will have to be made, particularly to create a black middle class, if ultimate white control is to be maintained over the tremendous wealth of South Africa. The prestigious Financial Mail titled its article on the corporate move "A damp squib.."(a firecracker that fizzles). Faulting the statement for its omission of any mention of trade union rights, the Mail said "The American business manifesto needs to go a lot further...and be followed up with determination." Quoting an interview with Charles McCabe of General Motors "If you mean do we envision our plant managers going to jail or us breaking the laws of South Africa, no we do not." The Mail went on to comment, "As a head-on confrontation with the broader policies of South African apartheid, it is just not on."

Calling for economic withdrawal is potential "terrorism" in South Africa. Several black students were charged with such an offense in 1975 after having sent a letter to several foreign corporations asking them to stop investing in South Africa. In any case, most militant black leaders are either in jail, in exile, or underground. But even "moderates" in black South Africa have expressed nothing but frustration with the plan.

"It looks good on paper, but in practice it means only minor, token changes" a prominent black employee at one of the 12 U.S. companies explained. "It'll still be years before the steps bring significant results. That would have been fine a decade ago. Now it's not enough. If that's the only kind of pressure American businesses are willing to make, then I can see we can't rely on them as a major force for change."

A Call for U.S. Corporations to Withdraw

Last summer, in Soweto, a new stage in the struggle for South African liberation was begun. No one can know when it will end. But one thing is certain: there is no way that a continued U.S. corporate presence in South Africa can serve any purpose except to re-inforce white rule. If the Carter administration is at all serious in its commitment to justice for southern Africa, it will use its energies to cut off the flow of U.S. dollars to apartheid. It is time for all Americans to tell the corporations, loudly and clearly - "Out of South Africa - NOW".

Jennifer Davis
April, 1977

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Appendix D

Table 14.—U.S. Direct Investment Position Abroad at Yearend—1976

[Millions of dollars]

	All industries	Mining and smelting	Petroleum	Manufacturing: Total	Food products	Chemicals and allied products	Primary and fabricated metals	Machinery	Transportation equipment	Other manufacturing	Transportation, communication, and public utilities	Trade	Finance and insurance	Other industries
All countries	137,244	7,056	29,713	61,862	5,085	12,135	3,766	17,025	9,126	13,288	3,217	13,691	15,332	6,682
Developed countries	101,150	4,749	22,682	49,599	4,112	9,380	2,868	14,282	8,498	10,650	857	9,918	8,948	3,737
Canada	33,927	3,200	7,153	15,884	1,436	2,468	1,034	4,271	2,068	4,786	771	2,188	3,708	971
Europe	55,906	34	13,444	26,703	2,211	5,234	1,610	9,465	4,720	4,043	155	6,706	4,767	2,037
European Communities (9)	44,016	12	11,171	25,121	1,900	5,168	1,209	8,573	4,088	4,175	84	3,485	2,960	1,152
Belgium and Luxembourg	3,607	0	318	2,221	80	782	35	571	148	348	6	401	419	54
France	5,954	–3	997	3,963	267	828	172	1,358	834	934	5	715	198	90
Germany	10,410	–1	2,234	6,835	287	821	255	2,339	2,655	434	17	537	611	114
Italy	2,944	4	633	1,670	175	448	(D)	696	(D)	314	(*)	251	82	67
Netherlands	2,771	1	1,298	1,770	166	613	172	472	85	272	1	353	204	133
Denmark	735	1	309	140	48	30	(D)	49	(D)	9	–3	104	(D)	(D)
Ireland	587	1	114	738	48	444	38	61	1	167	(*)	23	(D)	(D)
United Kingdom	15,696	11	5,117	7,776	752	1,227	404	2,821	1,093	1,680	56	960	1,222	643
Other Europe	11,890	22	2,274	3,581	310	868	400	884	631	767	71	3,281	1,806	855
Norway	1,272	(D)	538	298	1	28	(D)	(D)	(*)	40	–1	27	3	(D)
Spain	1,971	(D)	189	1,221	185	227	(D)	300	(D)	114	17	218	81	(D)
Sweden	1,152	0	400	607	(D)	78	41	208	(D)	144	9	106	15	8
Switzerland	5,733	0	106	948	(D)	308	(D)	141	(D)	289	1	3,750	1,641	861
Other	1,812	2	734	507	33	250	(D)	(D)	8	172	44	173	167	155
Japan	3,787	0	1,366	1,689	110	374	17	880	140	184	30	361	103	38
Australia, New Zealand, and South Africa	7,629	1,515	1,498	3,334	368	706	163	675	652	746	1	630	271	150
Australia	5,460	1,227	859	2,383	228	590	148	600	529	621	(*)	873	291	166
New Zealand	404	(D)	(D)	114	35	32	1	9	41	15	–1	48	3	48
South Africa	1,665	(D)	(D)	783	102	85	45	167	65	210	1	204	–12	68
Developing countries	29,050	2,309	2,853	11,362	976	2,836	918	2,761	1,219	2,649	687	3,729	5,986	2,715
Latin America	23,336	1,680	2,940	9,212	788	2,310	742	2,058	1,168	2,146	285	2,404	5,478	1,867
Latin American Republics	17,318	1,183	1,653	8,642	752	2,096	(D)	1,951	1,168	(D)	(D)	4,128	1,827	(D)
Argentina	1,364	63	174	895	48	307	72	141	221	206	(D)	105	73	(D)
Brazil	5,400	140	296	3,667	187	675	163	1,189	531	883	26	496	429	31
Chile	179	5	(D)	49	1	(D)	11	(*)	(D)	18	6	34	(*)	(D)
Colombia	653	13	56	387	27	120	15	63	1	200	(D)	64	100	(D)
Mexico	2,984	58	17	2,273	274	649	212	450	221	408	47	453	61	105
Panama	1,857	1	94	130	13	107	1	9	1	10	45	512	785	381
Peru	1,367	(D)	(D)	168	42	(D)	19	5	(D)	43	–1	64	3	13
Venezuela	1,611	–21	230	747	68	153	48	108	66	249	(D)	282	350	(D)
Other Central America	677	23	65	276	74	70	(D)	23	3	(D)	65	80	48	165
Other	1,029	(D)	367	139	49	26	23	9	(*)	30	26	49	283	(D)
Other Western Hemisphere	6,420	497	1,287	601	26	215	(D)	108	(*)	(D)	(D)	378	3,651	(D)
Bahamas	1,059	(D)	303	94	(D)	56	0	–2	0	(D)	12	60	618	(D)
Bermuda	2,507	0	245	275	(D)	105	0	102	(*)	(D)	59	140	2,810	49
Jamaica	577	302	38	228	(D)	16	(D)	2	0	11	–26	5	4	36
Other	1,277	(D)	904	58	5	26	1	4	0	7	(D)	30	121	80
Other Africa	2,802	534	1,399	257	(D)	29	86	4	(D)	102	98	102	63	149
Liberia	346	(D)	83	(D)	0	5	0	(*)	0	(D)	86	5	82	62
Libya	362	0	351	1	0	1	0	0	0	0	(*)	3	1	6
Nigeria	341	(D)	281	35	1	18	(D)	2	0	(D)	2	23	9	–9
Other	1,750	(D)	684	(D)	(D)	6	(D)	1	(D)	60	4	68	22	85
Middle East	–3,210	8	–4,211	183	(D)	47	9	68	(D)	32	18	78	127	600
Iran	–422	(*)	–547	78	(D)	33	3	19	(D)	5	6	51	(D)	(D)
Other	–2,788	8	–3,665	110	4	34	7	47	(D)	27	2	40	(D)	(D)
Other Asia and Pacific	5,923	167	2,634	1,678	153	432	78	657	45	330	170	680	427	864
India	362	(*)	70	258	9	101	36	81	2	40	(D)	8	8	(D)
Indonesia	1,475	(D)	1,367	100	1	22	23	9	(*)	48	(D)	3	7	(D)
Philippines	831	(D)	392	353	111	104	–8	28	4	119	21	111	84	(D)
Other	3,253	16	1,226	967	23	203	28	540	41	133	137	527	223	288
International and unallocated	7,844	....	2,369	....	....	....	....	....	....	....	1,773	553	1,466	189

*Less than $500,000 (±). D Suppressed to avoid disclosure of data of individual companies.

PART 4

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finance its military buildup, its stockpiling of oil, and its major infrastructure projects in strategic economic sectors such as transportation, communications, energy, and steel production, all of which are related to security needs. Collectively, U.S. corporations operating in South Africa have made no significant impact on either relaxing apartheid or in establishing company policies which would offer a limited but nevertheless important model of multinational responsibility. Rather, the net effect of American investment has been to strengthen the economic and military self-sufficiency of South Africa's apartheid regime, undermining the fundamental goals and objectives of U.S. foreign policy.

What could U.S. corporations realistically do in light of South African legal restrictions and the desire for profitability? There is much that could be done. The code of conduct for multinational corporations drawn up by Rev. Leon Sullivan, a member of the board of directors of General Motors, suggests some of the more modest steps such as integrated facilities, training, etc., that can be taken. An even stronger set of corporate principles endorsed by the European Economic Community Council of Foreign Ministers suggests more concerted areas of action. It calls for equal endorsement of African trade unions and the reporting by South African subsidiaries to their parent companies' head offices in Europe which would monitor the fair employment practices laid down in the EEC code. All of these actions are well within the limits of South African law.

Individual companies have also tried to establish new directions, some announcing their intention to recognize black unions, curb new investment, or curtail their business transactions to activities which would not directly deal with apartheid-related projects. Chase Manhattan Bank, for example, has established a policy of not providing loans to the South African Government, its statutory corporations, the homelands, border industries, or to Namibia.

It may be argued that none of these measures will bring about the downfall of apartheid. But by comparison with the abysmal performance of U.S. corporations in the past, these efforts to express condemnation of apartheid, and exert a measure of influence toward its erosion, represent some degree of progress in the direction of a socially responsible multinational role in a society that has shown little capacity for significant change on its own. More importantly, these measures expose the complacency of U.S. corporations which have tended to rationalize their inactivity by blaming South African laws alone. With dedication and imagination, much could be done to promote social and economic change without violating South African law or significatnly reducing profits.

Recommendations

The current policy of the U.S. Government is neither to encourage nor discourage foreign investment in South Africa. Given the evidence of U.S. corporate interests having acted contrary to U.S. foreign policy objectives, that policy is no longer tenable. U.S. policy should be changed to actively discourage American foreign investment in South Africa. This should be implemented in three primary ways:

SOUTH AFRICA: U.S. POLICY AND THE ROLE OF U.S. CORPORATIONS

(Susan M. Mowle, Analyst in International Relations, Foreign Affairs and National Defense Division, Congressional Research Service, the Library of Congress)

INTRODUCTION

The hearings "South Africa: U.S. Policy and the Role of U.S. Corporations" were conducted over a period of eight days during September 1976, by the Senate Foreign Relations Subcommittee on African Affairs. As stated by Subcommittee Chairman Dick Clark, the objectives of the hearings were to review the nature of South African society, the extent and impact of American investment, and the history and current status of U.S. policy toward South Africa. While the hearings were not held in conjunction with any pending legislation, they were aimed at exploring the role, if any, that U.S. economic investments have had in influencing the conduct of U.S. policy toward South Africa, and whether the United States could or should be making greater efforts to influence U.S. business operations in South Africa in order to change the policy of apartheid.

As the Chairman noted, there is a wide variety of options available to policymakers on this issue. The United States Government could remove tax credits for companies making new investments in South Africa, thereby imposing a virtual moratorium on new investments there. It could remove all tax credits, forcing at least some companies to withdraw. It might, on the other hand, encourage companies to remain in South Africa, but to adopt more progressive labor policies and practices, or it could encourage an expansion of investment by removing current restrictions on commercial promotion and Export-Import Bank facilities.

The Chairman emphasized at the outset of the hearings that the Subcommittee had formed no opinion as to whether the United States Government should be taking any of these suggested actions. Rather, he stated that the hearings were designed to provide a balanced representation of views on the entire question of U.S. economic involvement in South Africa and its implications for U.S. policy to assist the Subcommittee to decide whether investment ought to be increased or discouraged. At the conclusion of the hearings, the Subcommittee sent letters to more than 300 American companies with subsidiary operations in South Africa for the purpose of determining from the responses how likely it is that home offices will provide an incentive for subsidiaries to improve their labor practices.

The hearings were conducted at a time when U.S. policy toward Africa was undergoing significant change. In April 1976, then Secretary of State Henry Kissinger, had announced a new U.S. commitment to racial justice in the remaining white controlled states of southern Africa—Rhodesia, Namibia, and the Republic of South Africa. In

September 1976, he embarked by means of "shuttle dipolmacy" on a major diplomatic effort aimed at bringing about peaceful, negotiated transitions to majority rule in Rhodesia and Namibia. A major policy concern has been that tension and escalating guerrilla warfare in southern Africa, if allowed to continue, will lead to direct great power intervention.

In the Republic of South Africa, the summer of 1976 was marked by racial unrest and demonstrations against that nation's political system based on the policy of apartheid or "separate development." The United States has stated on many occasions its opposition to the policy of apartheid, and Secretary of State Kissinger stated that U.S. policy toward South Africa would be based on the premise that, within a reasonable time, there must be a clear evolution toward equality of opportunity and basic human rights for all South Africans.

Thus, while the hearings focused primarily on the issue of U.S. policy toward South Africa, aspects of U.S. policy toward Rhodesia and Namibia were also discussed as a result of the interrelation of U.S. southern Africa policy and because of the key impact South Africa has on the entire southern African region. The following overview of these hearings is intended to provide a summary of the major issues and policy recommendations which emerged during the course of the testimony and a digest of the views of the twenty-eight witnesses who testified before the Subcommittee. These summaries in no way endorse any of the specific suggestions or recommendations offered by the witnesses, but they have been prepared in order to stimulate further discussion about U.S. policy toward South Africa.

I. SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

A. Contemporary South Africa: Contending Views on Apartheid or Separate Development

The controversy surrounding the issue of U.S. corporate involvement in the Republic of South Africa is rooted in Congressional concern over the South African racial policy of apartheid, or separate development. The South African political system of racial separation is based on the contention of the ruling Nationalist Party (NP) that the country's population is composed of diverse peoples, including separate African tribal nations; that integration of these peoples is not possible; and that South Africa should develop as a commonwealth of separate states—nine African and one white. Government policy, including plans for industrial development, education, social welfare, housing, and agriculture has been focused on obtaining the separation of the races. Thirteen percent of South Africa's land area has been set aside for "Bantustans" or tribal "homelands" in which will reside the 17 million black Africans who compromise approximately 80 percent of the country's population. The Government's objective is that black Africans will exercise their political rights and pursue economic development within these homelands. One of the homelands, the Transkei, already has been granted independence by South Africa in October 1976, although its sovereignty has not been recognized by the United Nations. The remaining 87 percent of the land areas has been reserved for the white population. The rights and opportunities of black Africans who choose to live and work outside the homelands (about two-thirds of the Africans in South Africa live in areas designated for whites) are severely restricted by law and custom. The rights of two other groups who are classified by the South African Government as "colored" (mixed-race) or of Asian descent are also restricted, although they do not have designated "homelands."

The social, legal, and institutional restrictions imposed in South Africa on the basis of racial classification, which were described in the testimony of Dr. Leonard Thompson, have led a number of Americans to question the ethics of U.S. investment in South Africa. The policy of apartheid has been condemned by U.N. resolutions and by many international church and civil rights organizations on the grounds that it is a political system which denies fundamental human rights on the basis of race. The United States has also condemned the system of apartheid; former Secretary of State Henry Kissinger described it as a system of institutionalized racial discrimination. Kissinger stated in April 1976 that U.S. policy toward South Africa would be based on the assumption that, within a reasonable time, there would be progress toward equality of opportunity and basic human rights for all South Africans.

None of the witnesses who testified at the hearings before the Subcommittee on Africa expressed support for the racial policies of apartheid. The majority called the system incompatible with American political and moral values or as preventing the full development of South Africa. There were major differences among the witnesses, however, as to whether apartheid could be susceptible to peaceful transition to a non-racial society. There was also disagreement on the degree of change which might be necessary to satisfy black African demands for an adequate sharing of political power.

Several witnesses expressed the view that South African whites, particularly the Afrikaners, were changing and modifying their racial views (Munger, Chettle). In their view, the Government already had made modifications in the system of apartheid, had eliminated some forms of "petty" apartheid or segregation of public facilities, and the direction of change had been established, although not as yet far enough. They contended that the West can and should encourage this progress, and could contribute to this evolutionary change. Those witnesses who held this view argued that the United States should support the full development of the African homelands (Munger), while others speculated that some form of confederal system, perhaps with some provision for urban blacks, could provide a solution to South Africa's problem (Chettle, De St. Jorre). Those who believed that evolutionary progress was possible tended to argue that economic expansion and prosperity was a precondition for additional political concessions, and they stated that the example set by American firms which had adopted progressive labor practices served as a model for South Africans and acted as a catalyst for additional progressive policies. These witneses also tended to feel that disinvestment or any economic ostracism of South Africa would impose the greatest hardship on the black workers, who probably would lose their jobs, and such actions probably would strengthen those forces in South Africa opposing concessions on racial policies.

A number of witnesses argued that white Afrikaner society was totally committed to the maintenance of white supremacy (Baker), that it would never willingly yield political power to Africans, and that all recent modifications of apartheid practices were superficial or cosmetic and had not altered the basic structure of apartheid (Davis, Kleinschmidt). Several were pessimistic about the willingness of South Africa to make concessions, and there was a lack of agreement among them as to which policies would best exert pressure on the South African Government toward modifications of its racial policies. Some urged a complete cut off of future investment and loans to South Africa on the grounds that any economic investment contributed to the strengthening of the overall apartheid structure (Davis, Smith). Other expressed the belief that if it were properly channeled, foreign investment could be used as a lever to change apartheid, and they urged the adoption of legislation to ensure that U.S. firms implement progressive labor policies (Solarz).

B. Background on U.S. Policy Toward South Africa

1. GENERAL ISSUES

One purpose of the hearings was to review the policies of the U.S. Government toward Africa over the past six years in order to determine to what extent, if any, such policies had contributed to the current situation in southern Africa, and to what extent they may have influenced current policy. The highly visible U.S. diplomatic role undertaken during 1976 in attempting to mediate solutions to the problems of Rhodesia and Namibia by means of "shuttle diplomacy" was in sharp contrast to the low-key role that had characterized previous U.S. policy. U.S. policy prior to the decolonization of Angola and Mozambique had been officially characterized by the previous administration as one of dialogue and communication between blacks and whites for the purpose of fostering a peaceful evolution toward majority rule.

Much controversy has surrounded the policy of "communication" and this was intensified by the publication of a still-classified National Security Study Memorandum (NSSM-39) of 1969. According to press reports, President Nixon adopted option 2 of NSSM-39 which became the framework for U.S. Africa policy between 1970-1976. Critics of the Nixon Administration argued that such policy had the effect of "tilting" U.S. policy in favor of the white regimes of southern Africa, and they dubbed NSSM-39 "tar baby" on the grounds that, once adopted, the policy was so "sticky" that it would be very difficult to discard if it proved unsuccessful.

The Subcommittee on Africa hearings focused on the policy process surrounding consideration of NSSM-39 and testimony was heard from two former members of the Nixon Administration who had participated in policy formulation at that time. Roger Morris, who was on the National Security Council, and Donald McHenry, who then was at the Department of State, offered differing analyses of the policy. In their testimony, they and other witnesses offered recommendations for revisions in U.S. policy toward Africa based on the lessons of the past few years.

It was Mr. Morris's view that the concept of communication and dialogue ("tar baby") was a serious strategy designed to ease the isolation of the white governments of southern Africa and to encourage moderation of the racial policies through a subtle policy of communication. This concept was based on the premises that peaceful change in southern Africa required the cooperation of the white populations. Mr. Morris stated, however, that the policy of NSSM-39 was never implemented in a relevant way during the Nixon Administration and it instead became a basis of rationalization for a number of actions, such as the importation of Rhodesian chrome, on the part of various bureaucratic and special interest groups for pursuing business as usual in southern Africa.

Mr. McHenry provided a somewhat different critique of NSSM-39. In his view, U.S. policy was based on a lack of concern for Africa in general and for the cause of African liberation, and it tended to subordinate the rights of Africans to global considerations. He contended that policy had been formulated in secret by policy makers who possessed no expertise on Africa and who disastrously misread the African commitment to liberation in southern Africa and the strength of the white governments. He considered the concept of NSSM-39 to be flawed from the start, and felt it would not have worked even if there had been a conscientious effort to carry it out. Its attempted implementation resulted in aligning the United States, in the eyes of some African states, on the side of the white governments of southern Africa and against the forces of liberation. Several witnesses contended that the Administration's adoption of NSSM-39 has generated a number of repercussions which have implications affecting current U.S. policy in Africa. They felt it had damaged U.S. credibility in its role as a mediator because black Africans perceived the United States as having aligned itself with the white governments of southern Africa, and was more concerned with global rather than African issues (Marcum, McHenry). Another witness stated that Administration policy had led American firms to believe the United States favored investment in South Africa (Schulz).

John Marcum devoted much of his testimony to a critique of U.S. policy in the aftermath of the Angolan civil war, and it was his basic thesis that the effectiveness of U.S. policy, and its role as a mediator on southern Africa issues, was directly related to the credibility and integrity of the United States and that these qualities were still wanting in the current handling of U.S. policy toward Africa. In his view, the Administration's expression of concern about "radicals" in Africa, its concern with global as distinct from regional issues, and its interest in seeing that "moderates" come to power in Rhodesia and Namibia indicated that the United States was still choosing sides. He questioned whether the United States should continue to seek to shape events in that region, and whether the United States should decide that some liberation groups were its friends and others its enemies.

Congressman Andrew Young argued that the United States had permitted its options in southern Africa to deteriorate in the past ten years and that in order to correct this, the United States must recognize and support the movement toward self-determination because U.S. moral and economic interests lay with black Africa.

Assistant Secretary of State Rogers, in his testimony, denied that current Administration policy was designed to establish a U.S. sphere of influence in southern Africa or to put American nominees in power in Rhodesia and Namibia. Current policy aimed at providing an alternative to violence or racial wars in southern Africa which could lead to an open invitation for foreign intervention.

Several witnesses made recommendations for current U.S. policy in southern Africa based on the lessons derived from what they contended were the failures of previous U.S. policy.

(a) Recommendations made in the hearings

1. The United States should more clearly align itself with the forces of liberation in southern Africa. (Solarz, Young, McHenry)
2. Experts on Africa in the Department of State, particularly experts on South Africa, should be consulted in the development of current U.S. policy, since a lack of expertise on Africa had been a major contributor to past errors in policy. (Morris, McHenry)
3. The problem of South Africa cannot be separately detached and dealt with after a resolution of the problems of Rhodesia and Namibia because South Africa plays a key role in the entire southern African crisis, and it must be part of any regional settlement. (Young)
4. It is important that the White House be committed to the implementation of any future Africa policy. (McHenry)
5. The United Nations should be included in the development of any future U.S. Africa policy. (McHenry)
6. Effective Congressional oversight of U.S. policy is vital if the errors of NSSM–39 are not to be repeated. (Morris).

7. African policy must not be formulated in secret, and it must include inputs from a variety of sources, including those sensitive to the national interest. (Morris, McHenry)

8. Within the Executive Branch, an effort must be made to ensure that the Departments of Defense, State, Treasury, Commerce, and others operate in conformity with overall U.S. policy objectives. (Morris)

2. RHODESIA (ZIMBABWE)

Although Rhodesia was not a major topic of the hearings, the fact that developments in Rhodesia will have an impact on the southern African subregion caused several witnesses to make policy recommendations.

The escalation of guerrilla warfare in Rhodesia in the aftermath of Angolan independence has threatened to spread racial war throughout southern Africa and to attract foreign intervention. As a result of this threat, and in order to reach a negotiated transition to majority rule in Rhodesia, Secretary of State Kissinger during September 1976, undertook a series of consultations with Great Britain, and the African "front-line" states of Zambia, Mozambique, Botswana, and Tanzania, as well as with South Africa which, since the closure of the Mozambique border in 1976, has been the principal economic lifeline for Rhodesia. On September 24, 1976, Rhodesian Prime Minister Ian Smith announced that he had accepted an Anglo-American proposal which would lead to majority rule within two years. However, a Geneva conference convened to work out the details of such a transition was unsuccessful, and guerrilla warfare escalated.

Controversy has surrounded several aspects of current U.S. Rhodesia policy, particularly over such questions as whether the United States and other Western powers should use their influence in pressuring South Africa to end its support for Rhodesia, or whether in return for South African assistance in resolving the Rhodesian and Namibian problems, concessions should be made to South Africa. Another source of controversy has resolved around the Administration's proposal, described by Secretary Rogers, that the United States contribute to an international fund designed to assist the Rhodesian economy during a transition to majority rule.

The hearings did focus on the allegation made by one witness (Schulz) that Mobil Oil's South African subsidiary had provided oil to Rhodesia in contravention of U.N. sanctions and the intent of U.S. policy with respect to sanctions. The representative from Mobil Oil (Birrell) denied the charges and testified that although U.S. law does not apply to foreign subsidiaries, Mobil Oil had enforced a company policy of prohibiting sales to Rhodesia and that no such sales had taken place, although he also testified that Mobil's attempt to carry out a thorough investigation had been thwarted by South African legal restrictions. The Subcommittee Chairman noted that the allegations against Mobil raised the question of whether U.S. firms had control of company policies of their subsidiaries and whether it was possible to ensure that the policies and intentions of U.S. foreign policy are followed by U.S. firms.

(*a*) *Recommendations made at the hearings:*

1. The Congress should repeal the Byrd Amendment which permitted the importation of Rhodesian chrome and other strategic

materials in contravention of U.N. sanctions against Rhodesia.[1] (Most witnesses)

2. The United States should not support any one faction of the Rhodesian nationalist groups, or negotiate directly with any of the groups. Rather, the United States should negotiate with the "front-line" African states. (Marcum, Solarz)

3. The United States should supply humanitarian assistance to Rhodesian refugees in Mozambique and Tanzania. (Solarz)

4. The United States should contribute to an Institute for Zimbabwe, modeled along the lines of the U.N.-sponsored Institute for Namibia, to train Rhodesians on administration, economics and government. (Solarz)

5. The U.S. Government should investigate Mobil Oil and other oil companies to determine whether they supply oil to Rhodesia in contravention of U.N. sanctions and the intent of U.S. Executive Orders against such trade. (Schulz)

6. Congress should pass a law to prohibit the overseas subsidiaries of U.S. firms from trading with Rhodesia. (Schulz)

7. The United States should contribute to a fund to assist the transition toward majority rule in Rhodesia only if it has the support of all parties to the Rhodesian settlement. (Marcum, Morris)

8. The United States should pressure South Africa to cut the economic lifeline to Rhodesia to force the Rhodesian Government to concede to majority rule. (Baker)

3. NAMIBIA (SOUTH WEST AFRICA)

The dispute over Namibia stems from the refusal of the South African Government to turn over its League of Nations Mandate over South West Africa to the United Nations in contravention of U.N. resolutions. The United Nations claims that Namibia is subject to international supervision in preparing the territory for independence, but it has not been able to implement its control. In 1966, the U.N. General Assembly had voted to terminate South Africa's League of Nations mandate and, in 1971, the International Court of Justice at the Hague had handed down an advisory opinion that South Africa's continued occupation of Namibia was illegal. The U.N. Security Council in December 1974 gave South Africa until May of the following year to withdraw its administration from the territory. The South Africa Government failed to comply with the Security Council resolution and, instead, convened a constitutional conference in Windhoek, Namibia's capital (popularly known as the Turnehalle Conference) in September 1975 to arrange for the territory's eventual independence. Eleven Namibian ethnic groups were invited to the conference, but the South West African Peoples Organization (SWAPO), the political organization, recognized by the United Nations as the sole representative of the Namibian people, was excluded. South Africa agreed to a unitary state and a multi-racial government to lead the territory to independence by December 31, 1978.

The United States supports U.N. supervised elections in Namibia and, in September 1976, Secretary of State Kissinger unsuccessfully attempted to arrange an international conference which would include all political parties, including SWAPO, to negotiate a new constitution.

[1] Legislation which had the effect of repealing the Byrd Amendment was passed in March 1977 and signed into law on March 18, 1977 as Public Law 95-12.

A failure of negotiations is likely to lead to an intensification of guerrilla warfare in Namibia by SWAPO elements using bases in Angola.

One witness (Baker) presented the thesis that a resolution of the Namibian problem would likely prove more difficult than the problem of Rhodesia because, in her view, South Africa has greater interests in Namibia and therefore would be willing to withdraw under circumstances which might threaten the lives of the white population or jeopardize South African economic interests. Other witnesses (Munger) observed that a peaceful transition in Namibia could provide a positive example for change in South Africa itself, whereas a war could encourage South Africa to take a more intransigent position on its own internal racial policies.

(*a*) *Recommendations made at the hearings*

1. The United States should not recognize the results of the Turnehalle Conference. (Baker)
2. The United States should deny tax credits to firms operating in Namibia. (Baker)
3. The United States should support economic sanctions against South Africa for its refusal to grant Namibia independence under U.N. supervision. (Baker)
4. The United States should support the territorial integrity of Namibia and oppose any effort to partition it. (Marcum)
5. The United States should make it illegal for the subsidiaries of U.S. firms to operate in Namibia. (Schulz)

C. U.S. Policy Toward South Africa

1. THE IMPACT OF AMERICAN INVESTMENT AND LOANS: CONTENDING VIEWS

The major purpose of the hearings was to focus on the tangible U.S. economic and commercial interests in South Africa, the role these interests have played in South Africa, the degree to which they affect or are affected by the system of apartheid, and the relationship between the conduct of U.S. companies in South Africa and U.S. policy objectives. The Subcommittee Chairman noted that U.S. investment in South Africa is estimated at about $1.6 billion, representing about 15 percent of total foreign investment in the Republic; that about 300 American firms have subsidiaries in South Africa and about 6,000 businesses operate in South Africa on an agency basis; and that U.S. firms employ about 90,000 people, which represents 1½ percent of the South African work force. In addition, the United States exported $1.3 billion worth of goods to South Africa in 1975 and imported about $850 million. Currently U.S. Government policy has been to neither encourage nor discourage U.S. investment in South Africa, and to urge U.S. firms operating in the country to adopt progressive labor policies.

Because of South Africa's racial system, many witnesses questioned the wisdom and morality of American companies conducting business in South Africa, and they expressed concern that these companies may be taking advantage of repressive customs and laws to make excessive profits by paying inadequate wages to black employees. In general, debate focused on the issue of whether U.S. investment should be terminated and/or withdrawn, or whether U.S. firms should be encouraged to adopt progressive labor policies. Debate revolved around the question of whether American investments and technology were establishing more security for and thereby strengthening the apartheid system in its policy of repression of blacks, or whether American investment could be used to bring about increased job opportunities for blacks and to lay the groundwork for change in the basic system of apartheid. There was considerable division among the witnesses on this question.

Some witnesses argued that legal and customary restrictions make it difficult, if not impossible, for American firms to give blacks equal opportunity, even if that were their intention. (Thompson, Funk) They contended that the policy of separate development, with its unequal expenditures of funds for black education, prevented Africans from receiving the education and training necessary to qualify them for skilled jobs, and that the objective of this policy had been to maintain a pool of cheap black labor. The witnesses pointed to the labor laws in South Africa, such as the Industrial Conciliation Act, Physical Planning Act, and Apprenticeship Act, as having prohibited companies from hiring or promoting blacks to certain positions. In addition to the legal restrictions, some witnesses contended that customary patterns of discrimination prevented company managers from hiring blacks at higher levels or for certain skilled positions for fear of a backlash opposition from white customers or workers (Funk).

Other critics of U.S. investments in South Africa contended that foreign businesses have supplied capital and technological expertise which has strengthened the system and helped to perpetuate apartheid (Davis). They questioned the argument presented by American corporations that economic growth benefited all South Africans and they maintained that benefits to blacks resulting from economic growth were minimal, that the wage gap between blacks and whites was steadily widening, and that the relative standard of living for blacks was declining (Kleinschmidt). These witnesses accused American firms of having exploited cheap black labor in order to earn excessive profits.

Some of the critics demanded that the corporations indeed prove that blacks were benefiting from foreign investment, and that American corporations were any more progressive in their labor practices than other companies in South Africa. They insisted that if U.S. companies are to remain in South Africa, they must demonstrate they are offering real opportunities for their black workers (Marcum, Solarz, Neuhauser). Others argued that mere pursuit of affirmative action programs was not sufficient, and that American companies should withdraw completely from South Africa (Davis).

All the witnesses representing U.S. firms operating in South Africa (Jones, McCreary, Durka, McGoff, etc.), however, contended that they were making a definite contribution to the welfare of all South Africans, including black South Africans. Most company witnesses testified that they shared their critics' concern over the system of apartheid, but argued that progress was being made in South Africa toward modification of the racial system through expanded economic growth and evolutionary changes in social patterns. They believed that U.S. firms could contribute to these changes by providing jobs, training, and greater opportunities for their black employees. A

1. Withdraw facilities of the U.S. Government which promote the flow of capital or credit to South Africa. This includes ending Export-Import Bank insurance and loan guarantees; permanently withdrawing the commercial attache to the U.S. Embassy in South Africa; ending visits by officials of the Department of Commerce to South Africa; reviewing and, where appropriate, limiting activities of U.S. agencies which may indirectly promote foreign investment; and ending the supply of economic data and counseling to potential American investors.

2. Deny tax credits to those U.S. corporations paying taxes to the South African Government which fail to act in ways consistent with American foreign policy. Specifically, this would involve cancellation of the tax benefits allowed to U.S. corporations which extend loans to or have investments in projects of the South African Government, its agencies, or any other institutions which further the implementation of separate development policies, including the border industries and the homelands. This policy would disallow tax credits for any U.S. corporations investing in strategic projects involving South Africa's military, security or defense needs. Finally, it would cancel tax benefits for U.S. corporations which fail to enforce fair labor practices.

Effective implementation would require the U.S. Government developing a set of investment guidelines and fair employment principles, preferably in consultation with the head offices of U.S. subsidiaries. It would also require the periodic and systemmatic monitoring of U.S. corporations in South Africa, possibly by labor attaches attached to the embassy to ensure compliance. This policy would have the advantage of providing incentives for change rather than simply applying punative measures for past corporate activities.

3. Withhold official endorsement of private groups which organize in defense of U.S. corporate investment in South Africa unless they satisfactorily support the corporate guidelines and fair employment principles laid down by the U.S. Government. Such organizations would include the U.S. Chamber of Commerce which opened its office in South Africa last year, the first branch of the Chamber to be inaugurated in the continent of Africa. While such an organization could conceivably be instrumental in implementing the kinds of changes discussed above, in practice it has served in other areas to protect and promote U.S. foreign investment. South Africa could be a testing ground for the Chamber, one of the most influential organs of American private enterprise.

These recommendations contrast with more extreme measures advocated by some, such as the disengagement of U.S. corporate investment, a blanket denial of tax credits, or the adoption of wider trade and investment sanctions. Instead, they aim at fostering specific and meaningful changes in the role which U.S. corporate interests have traditionally played in South Africa. Some will say the recommendations go too far; others will say they do not go far enough. Under present circumstances, it is felt that these policies, properly implemented, can deal firmly and pragmatically with the economic realities that constitute the heart of the U.S. relationship with South Africa. Nevertheless, at some time in the future, the situation may merit stronger measures should these recommendations prove ineffective or impractical. Much depends upon events within South Africa and the willingness of all participants there to accept constructive transformation.

number of witnesses stated that their black workers were being paid at the same rates as whites for equal work, that they were being trained by the companies for better jobs, and that the benefit programs for blacks were as good or better than those for whites. Several firms stated that not only have they been doing the best they can under South African law and in accordance with South African custom, but that they were also serving as a progressive force through programs to assist in their employees advancement. They maintained that U.S. investment in South Africa, by providing money and jobs, increased the opportunity and well-being of all peoples there. Moreover, they rejected the suggestion that they withdraw from South Africa on the grounds that if one company moves out it is very likely that a less progressive company will fill the void. Finally, the corporate spokesmen vigorously argued that U.S. firms should not meddle in or attempt to directly interfere in political developments within the countries in which they operate, whether that country was South Africa, Uganda, Chile, or the Soviet Union. They strongly opposed the adoption of any legislation which would attempt to control corporate behavior overseas on the grounds that when abroad, U.S. firms must operate in conformity with the laws of the host country, just as the United States requires foreign subsidiaries in the United States to operate in conformity with U.S. laws.

It should be noted that there was disagreement among witnesses over whether South African blacks, who probably would suffer the most from any program of disinvestment, favored or opposed the continuation of U.S. investment in South Africa.

An issue related to and, in the view of several witnesses even more important than the question of U.S. investment, was that of loans to South Africa by U.S. banks and their overseas branches. According to some witnesses (Smith), these loans had increased in the past several years with total short- and long-term claims by banks estimated at about $2 billion. Given its balance of payments problems, South Africa was likely to be seeking additional sources of foreign loans and the Subcommittee Chairman stated that loans to the Republic by American banking institutions has implications for U.S. policy.

Critics of the South Africa Government contended that U.S. loans to South Africa helped to maintain its political system of apartheid and that it created an American interest in maintaining stability in South Africa which in effect meant support of the white minority government against African demands for majority rule. Some witnesses therefore suggested that U.S. opposition to apartheid be expressed by terminating all loans to South Africa by U.S. banks and lending agencies (Smith, Davis).

There is currently no prohibition against bank loans to South Africa although, since 1964, the United States has prohibited loans to South Africa from the Export-Import Bank. However, the Export-Import Bank does have an exposure in South Africa of about $297.8 million through its guarantee insurance and discount loan programs. Assistant Secretary of State Rogers stated that this exposure does not contradict prevailing U.S. policy of neither encouraging nor discouraging investment to South Africa because these guarantees support U.S. exports to South Africa. U.S. policy does encourage American exports to South Africa, except for those items covered by the arms embargo. The hearings did raise the question of whether PEFCO loans to South

Africa, which have amounted to $94 million, violated U.S. policy since the Export-Import bank must approve and guarantee all PEFCO loans. Both Department of State and Export-Import Bank representatives denied that loans to South Africa influenced U.S. policy in favor of the white government in South Africa.

(*a*) *Recommendations made at the hearings*

1. U.S. firms in South Africa should take steps in setting a minimum wage rate above minimum subsistence standards and in maintaining equal pay scales without regard to race. (Funk)

2. American corporations in South Africa should make efforts to recruit and promote blacks for higher paying jobs. (Neuhauser)

3. American corporations should make compensatory efforts in training and educating blacks for promotion to skilled jobs. (Chettle)

4. American corporations should provide, as far as possible, equal fringe benefit programs by all employees regardless of race—medical, education, housing, legal aid, charitable contributions, and pensions. (Funk)

5. American corporations should take steps to give black workers representation through workers committees and liaison committees, or by collective bargaining with unregistered black trade unions. (Funk)

6. American corporations should take steps beyond equal opportunity programs and compensatory actions to make efforts to alter South Africa's traditional restrictions affecting the living and working conditions of blacks.

7. U.S. firms should discuss with the South African Government its social and political policies which affect their businesses.

8. American companies should resist demands by white trade unions for discriminatory wages and benefits.

9. American companies should break down customary discrimination which has prevented blacks from obtaining supervisory positions over whites.

10. The home offices of American firms should exert effective pressures to ensure that their South African subsidiaries implement progressive labor policies.

11. The sale of sophisticated technology to South Africa that enhances the economy but makes little contribution to black employment should be terminated. (Davis)

12. U.S. firms should refuse to do business with South African Government agencies and refuse to sell goods, such as computers, which could be used to enforce apartheid. (Davis)

13. Legislation should be adopted to deny tax credits for investments in South Africa.

14. The State Department should take steps to vigorously encourage U.S. firms to adopt progressive labor policies, perhaps by detailing a labor attache in South Africa for that exclusive purpose.

15. A White House conference should be organized to encourage American firms to adopt progressive labor policies to conformity with U.S. policy toward Africa.

16. An American Chamber of Commerce should be organized in South Africa to encourage U.S. firms to coordinate their labor policies. (Green)

17. A Congressional Committee should be organized to study the labor practices of U.S. firms in South Africa with a view to formulating legislation for enforcing progressive labor policies. (Solarz)

18. The President should appoint a member of the executive branch to coordinate U.S. policy toward South Africa for the purpose of ensuring that all branches of the executive—Treasury, State, Defense, Commerce, etc., conform to U.S. policy goals. (Morris)

19. Manipulation of tax laws probably is not the best means of influencing corporate behavior overseas. The problem focuses upon articulating a standard which does not produce an irreconcilable conflict for a corporation between requirements under U.S. law and those under South African law. (Rogers)

20. Changes in U.S. policy aimed at forcing U.S. companies to leave South Africa are not in the interests of black South Africans since the vacated facilities would likely be operated by less enlightened successors. (Wait)

21. The United States should recognize the Transkei and encourage investment in the new state in order to reduce its dependence upon South Africa. (Munger)

22. U.S. firms should take steps to improve the working conditions of their African employees, but these should not be achieved by legislation governing excess profits or tax credits. (Munger)

23. An economic boycott of South Africa would come close to being the equivalent of a blockade and therefore could be interpreted as aggression. (McGoff)

24. Crippling the South African economy through means such as an economic boycott would not assist the position of blacks in South Africa. (McGoff)

D. Alternative Policies Toward South Africa

The hearings clearly brought out the fact that U.S. policy toward South Africa was influenced by a variety of forces, including the White House, the State Department, the Export-Import Bank, Congress, and private American banks and corporations. Witnesses testifying before the Subcommittee therefore directed their policy recommendations toward a variety of factors.

(*a*) *Recommendations for Congress made at the hearings*

1. Congress should repeal the Byrd Amendment which has permitted importations of chrome and other strategic materials from Rhodesia in contravention of U.N. sanctions. (Almost all witnesses except McGoff)

2. Congress should change tax laws to prohibit tax credits for firms operating in South Africa and Namibia. (Schulz)

3. A Congressional Commission should be established to investigate the operation of U.S. firms in South Africa with a view toward drawing up legislation for enforcing progressive labor policies. (Solarz)

4. Congress should appropriate funds to aid refugees in Tanzania and Mozambique and to support the establishment of a Zimbabwe Institute to train Rhodesians in government and administrative (Solarz)

5. Congressional Committees should exercise effective oversight of the development of U.S. Africa policy. (Morris)

6. The Congress should pass legislation to make it illegal for U.S. subsidiaries to trade with Rhodesia. (Schulz)

(*b*) *Recommendations for the executive branch made at the hearings*

1. The White House should consider convening a conference for the purpose of discussing the issue of U.S. investment in South Africa and to encourage firms to adopt labor practies in conformity with U.S. policy.

2. The State Department should make a more vigorous effort to convey to American firms in South Africa that it is U.S. policy and in U.S. interests that they adopt progressive labor policies.

3. The United States should adopt the position of actively discouraging new investment in South Africa, as it does in Namibia. (McHenry)

4. The United States should make no concessions to South Africa in return for its cooperation in assisting peaceful transition in Namibia or Rhodesia. (Marcum)

5. The United States should not take sides among contending liberation groups but should work through the front-line presidents and the Organization of African Unity. (Marcum)

6. The Export-Import Bank should end all remaining exposure in South Africa and should cease guaranteeing PEFCO loans to South Africa. (Smith)

7. The United States should not recognize the Transkei or any other African homeland. (Solarz)

8. Experts on Africa and South Africa should be involved in the formulation of U.S. African policy. (Morris)

9. The United States should include the United Nations in the formulation of its southern African policy (McHenry)

10. The authority of the White House must be involved in the implementation of any new southern Africa policy initiatives. (Morris)

(*c*) *Recommendations for private corporations made at the hearings*

1. U.S. firms in South Africa should take immediate steps to end discriminatory policies with respect to wages, promotion, training, and fringe benefits. (Jones, Funk)

2. U.S. firms should initiate training and educational programs to assist black employees in obtaining skilled jobs. (Chettle, Funk)

3. U.S. firms should provide benefits for improving the working and living conditions of its black employees, including housing assistance, recreation facilities, and transportation. (Munger, Jones)

4. U.S. corporations should negotiate on a good-faith basis with black trade unions despite the fact they have no legal status in South Africa. (Funk)

5. The home offices of U.S. firms in South Africa should take effective action to ensure that their subsidiaries adopt progressive labor policies. (Funk, Neuhauer)

6. The overseas subsidiaries of U.S. firms should be required to conform to U.S. restrictions on trade with Rhodesia that are in conformity with U.N. sanctions. (Schulz)

7. U.S. firms should take steps to overcome customary restrictions which block the advancement of black workers, such as the custom whereby blacks do not supervise whites. (Funk)

8. U.S. corporations should discuss with South African officials their views on apartheid and emphasize how its restrictions affect their business operations. (Funk)

9. U.S. firms should voluntarily refrain from sales to South Africa of any goods which could be used to enforce apartheid regulations. (Davis)

10. The export of sophisticated technology to South Africa should be terminated. (Davis)

11. The United States should end all nuclear cooperation with South Africa. (Marcum)

12. U.S. banks should cease giving loans to South African firms and/or the South African Government. (Smith)

13. U.S. firms should not invest in the African homelands because it would indicate support for apartheid policies. (Solarz)

14. The United States should recognize the Transkei and encourage development of the homelands to reduce their dependence on South Africa. (Munger)

15. The United States should withdraw all investment from South Africa and prohibit any future investment. (Davis)

16. The United States should encourage investment in South Africa and encourage communication with all South Africans. (Chettle)

17. American firms in South Africa should hold consultations about their labor policies and possibly form an American Chamber of Commerce in South Africa to coordinate approaches to equal employment opportunities for all their workers. (Green)

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II. BRIEF SUMMARY OF THE TESTIMONY OF THE PARTICIPANTS

A. Contemporary South Africa: Apartheid and Separate Development

1. POLITICAL CONDITIONS

(a) *Horst Kleinschmidt, Former Assistant Director of the Christian Institute, Johannesburg, South Africa, September 8, 1976*

Mr. Kleinschmidt's analysis of South Africa began with the central thesis that the outbreaks of racial unrest in South Africa during the summer of 1976 were widespread, sustained, and supported by large sections of the South African community, and that, as a consequence, power relationships within South Africa will change. He stated that, in his view, the South African Government appeared to have totally misunderstood the nature of the recent civil disturbances. According to Mr. Kleinschmidt, the basic factors which caused the outbreaks were much more fundamental than the issue of requiring the use of the Afrikaans language in African schools, which the Government stated was the central grievance, and that the Government, press, and white liberal community in South Africa were out of touch with the true situation. In addition, Mr. Kleinschmidt stated that the South African Government has an interest in creating the impression of tension between blacks within the urban townships like Soweto and the African homelands, and to emphasize the division between the workers and students, in order to present the demonstrators as "tsosti" hooligans. While he acknowledged that tension existed within the black community, he contended that it is encouraged and exploited by the South African authorities and that it exists, in part, as a result of government design which enforces separation of the races and ethnic groups even within the black townships such as Soweto. Mr. Kleinschmidt testified that, despite press reports of conflict, there is evidence of very widespread support for strike efforts and cooperation between workers and students.

Mr. Kleinschmidt noted that the independence of Angola and Mozambique have had a strong effect on South Africa, since blacks have come to see the possibility of independence, while the whites see Communism as the likely outcome of majority rule. He also noted that unlike the Sharpeville events of 1960, the protests of 1976 were duplicated in many communities throughout South Africa over a period of several months, and that they were marked by a solidarity between blacks and those of mixed racial background who are classified as "colored" by the South African Government.

Mr. Kleinschmidt stated that the South African Government has publicly charged that outside agitators and foreign sources had instigated the disorders. According to Mr. Kleinschmidt, given the difficulty of political organization for Africans, ideas generated by black consciousness played a vital role. What took place arose out of a common philosophy and there was minimal organization on the part of the banned African National Council (ANC) or other political groups.

With respect to the demonstrations themselves, Mr. Kleinschmidt made the following additional points:

He contended that figures published by the South African Government concerning the number of deaths were false, and that probably at least four times that many had died during the demonstrations.

Attention should be directed to the problem of relief and assistance for those South Africans who fled to Botswana.

He charged that more than 700 people were being held by the South African Government under the Preventive Detention Act, including Christian leaders, journalists, and academics.

He charged that the South African Government practices torture on political prisoners, including fake strangulation and electric shock treatments, and he expressed hope that pressure would be brought to bear to obtain an accounting of the deaths of those held in detention.

Turning to foreign policy issues, Mr. Kleinschmidt noted that the economic and diplomatic pressures against South Africa have not been as great as following the events of Sharpeville, and he attributed this to the fact that North America and Europe now have greater economic ties with South Africa, and that change is not in the interest of those with vested interests because change equals insecurity and unpredictability. He also contended that NATO interests in the South Atlantic and Cape Route were a factor in Western policy. He testified that since 1960, sales of military equipment and investment have strengthened the power of the government, and that resistence to change is enhanced by foreign investment in South Africa. He stated that the West may have to choose between trade with South Africa or trade with Africa as a whole, and he noted that the image of western powers in South Africa among blacks is poor. In his view, the Kissinger diplomatic efforts are viewed with mistrust by blacks, and dialogue with Prime Minister Vorster is seen as a delaying tactic to diffuse the situation and not aimed at a real transfer of power.

In response to questions, Mr. Kleinschmidt made the following points:

The homeland leaders cannot be considered the real black leaders in South Africa.

Without pressure from the outside, South Africa will not move to share power with the blacks.

Continued U.S. investment will lengthen the time span for majority rule which is, however, inevitable.

The Turnehalle conference on Namibia organized by South Africa has little African support and it is unrepresentative of Namibians.

South Africa has become more repressive now than it was in 1948 when the Nationalist Party came to power.

Blacks in South Africa do agree that there is a future for whites in a majority ruled South Africa.

Investment in South Africa strengthens the system of apartheid and should be withdrawn, and the withdrawal of investment is now supported by black organizations such as the Black Peoples Convention, the African National Council (ANC), and South African Students Organization (SASO).

There should be an embargo on the sale of all nuclear technology to South Africa.

(b) John M. Chettle, Director, South Africa Foundation, Washington, D.C., September 8, 1976

Mr. Chettle characterized the South Africa Foundation as both a research organization and a catalyst for change in South Africa and stated that the Director of the Foundation had called for complete abolition of racial discrimination. In his testimony, Mr. Chettle cited a de Tocqueville statement to the effect that the greatest unrest in society usually occurs when the most improvement is being made. Drawing from the American experience, he contended that racial unrest in the United States had occurred not during the periods of greatest oppression of blacks, but rather after the passage of major legislation aimed at reversing historical discrimination. Mr. Chettle argued that the situation was similar to that occurring in South Africa today: significant changes have recently taken place, even if such changes were too slow, too timid, and too late. Among the most important changes, he cited—

The statement by the South African Government at the United Nations that it does not condone discrimination purely on the basis of race or color, and that everything would be done to eliminate it;

The encouragement by the Government to hotels and restaurants to apply for multi-racial status; this status has already been granted to 16 of them;

The desegregation of some libraries, parks, and theaters;

The granting to Africans in so-called white areas of 30-year leaseholds on their homes;

The commissioning of colored officers in the South African Army;

The pledge by the Government to eliminate racial inequities and its commitment to open more skilled jobs to black workers;

The progress accomplished in the area of multiracial sports; and

Greater consultation between blacks and whites at all levels.

Turning to South Africa's foreign policy, Mr. Chettle noted the following changes:

South Africa has undertaken a political dialogue with leaders of black African states.

South Africa has provided economic assistance amounting to about $100 million to eight African nations.

It has a customs agreement with the former British Protectorates of Botswana, Lesotho, and Swaziland.

It has taken steps toward independence for South West Africa (Namibia).

It has made clear to Rhodesia that it should move expeditiously toward black majority rule.

It plans to grant independence to the first African homeland, the Transkei, in October 1976.

According to Mr. Chettle, it is vital that the United States give support to those in South Africa who aim at step-by-step progress toward equality. While he acknowledged that these changes have not been sufficient, he contended that a revolution in racial attitudes is underway in South Africa, with growing consciousness of the rights and dignity of all races. While he pointed out that blacks in South Africa have greater economic prosperity than blacks on the rest of the continent, he conceded that South African blacks must have an effective say in their own destiny.

Mr. Chettle contended that South African businesses and U.S. firms in South Africa have done a great deal to assist the process of change in South Africa, and that South Africa is one of the few places where business is to the left of government in urging certain multiracial policies, training for blacks, and major economic and political concessions. He stated that the real standard of living of blacks is rising and that, although the black-white income gap is large, it is closing. He observed that South Africans are skeptical of the lack of recognition accorded these changes by critics in the United States, especially since all but three African states are one-party states or military dictatorships. By contrast, he contended that South Africa has a functioning three-party system for whites, with a restricted ballot for blacks in their homelands, a free and independent judicial system, and a free press. Mr. Chettle argued that it does not enhance U.S. credibility to condemn South Africa while saying little about conditions in nations like Uganda. According to Mr. Chettle, the issue in Africa is not black and white rule, but rather between those who respect free institutions and the process of democracy and those who do not. He stated that the United States should recognize the process of change that is going on in South Africa and, as far as possible and bearing in mind that South Africa is an independent country, assist that process.

With respect to the issue of foreign investments in South Africa, Mr. Chettle argued that the United States should encourage American firms to expand their contacts and investment in the country, increase the opportunities for blacks, coloreds and Indians to improve their education and raise their standard and of living, and help widen the horizons of all South Africans. He criticized what he called the liberal contradiction of urging "open windows" to Communist countries as the best way to promote change while urging the isolation of South Africa when isolation and lack of Western contact is a fundamental part of South Africa's problem.

In response to questions, Mr. Chettle made the following points:

No significant black leaders have called for an end to American investment in South Africa, and any such withdrawal would hurt the very African population it was designed to assist.

The United States has less leverage in South Africa than is commonly believed, and the effect on the South African economy of withdrawal would be limited. This is because the United States has a favorable balance of trade with South Africa: because it needs access to certain raw materials; because disinvestment would cause firms to sell out at low prices; and because they would be required to purchase South African securities which would, in effect, support the finances of South Africa.

U.S. firms in South Africa should, however, take steps to advance the position of their black employees.

The Soweto riots were organized by students but not supported by black workers.

Prime Minister Vorster is a pragmatic conservative who will respond to pressures if vital South African interests are not jeopordized.

Mr. Chettle saw continued progress toward ending racial discrimination in South Africa, although he believes that separate development will continue with the evolution of the homelands, but perhaps with some provision for voting rights for the colored population and urban blacks.

(c) *John De St. Jorre, Carnegie Endowment for International Peace, New York, N.Y., September 8, 1977*

Mr. De St. Jorre's testimony presented an anslysis of white power in South Africa. He stated that, unlike the situation in Rhodesia and Namibia, the whites in South Africa have a legitimacy and a right to be there that is recognized by Africans. He contended that white power in South Africa is Afrikaner power, and that the Afrikaner forms a white "tribe" which has a cohesiveness and ethnic unity created by three centuries of settlement, as well as a common language and a common religion. He stated that in his research on South Africa he did not give great significance to the English-speaking white community, who, he stated, had influence in industry, commerce and in the foundations, but not political power. Mr. De St. Jorre stated that this is because the English-speaking community is numerically inferior to the Afrikaners, it is politically conservative, and that the pragmatism of Prime Minister Vorster has gained a strong English following for the Nationalist Party. He concluded therefore, that the English speaking whites are not likely to take power or change the system.

Mr. De St. Jorre noted that within the ruling Afrikaner Nationlist party, there are two basic divisions, the *verligte* (enlightened) and *verkrampte* (narrow). He emphasized, however, that the *verligte* are not to be equated with unadorned liberalism, nor should the *verkrampte* be equated with reaction. Rather, in his view, *verligte* equals openness within careful limits, whereas *verkrampte* includes right wing radicalism; he contended that both factions are directed at Afrikaner self-interest.

According to Mr. De St. Jorre, the *verligte* faction is not really an organized movement but a collection of individuals strong on ideas and intellect but weak in power terms. However, when they refer to change in South Africa, they do not mean change of the basic structure of apartheid but rather change of pace, or change of direction within the apartheid framework. Thus some members of this group would support the development of a long-term federal or confederal system which would make the homelands viable in economic and social terms.

For the *verkrampte*, change has either gone too far, or it should not be so rapid. For them, change is seen as the thin edge of the wedge, and social and economic concessions today could become political concessions tomorrow. It is the *verkrampte* faction which is strong in politics and government.

Historically, the Afrikaner has stood against the sharing of political power with any race, and for the greatest social and other separation as possible, including from the English, whose economic and cultural power, rather than political strength, they fear. According to Mr. De St. Jorre, Prime Minister Vorster is a pragamatic conservative who

PART 2

bridges both groups, and he stated that, ironically, democracy within the white community makes it difficult for Vorster to move faster politically because he must take into account the Parliament and right-wing factions of his party.

Mr. De St. Jorre also noted that white South Africans do not yet really feel threatened, that there is no great movement for change among whites, and that they trust Prime Minister Vorster. He stated that the logic of separate development is federalism, but on what terms, and he contended that the possible future political system in South Africa could include a federation, a dictatorship, or a one-party state. He concluded that the white community is not ready to deal with the black community because it does not feel threatened and is likely to continue to pursue the policy of separate development with perhaps some modifications.

In response to questions, Mr. De St. Jorre made the following points:

The business community in South Africa is conservative, with the top echelon being status quo-oriented.

Recent modifications of South Africa's racial policies are seen as major concessions by the whites; but not by the blacks.

While it is difficult to predict how South Africa would respond to a withdrawal of foreign investment—whether such action would cause it to take a harder or softer line on racial issues—South Africa has been orienting its economy toward self-sufficiency. However, although withdrawal might not have serious economic consequences, it could have important psychological or diplomatic effects.

Unexpected political events and pressures from outside might create the most effective pressures for concessions on separate development.

The Kissinger contacts with South Africa could give credibility to South Africa, and the United States should not make a deal with South Africa for cooperation on Rhodesia because peaceful transitions in Rhodesia and Namibia are in South Africa's own self-interest.

A peaceful settlement in Rhodesia is unlikely because the white community is intransigent and the blacks are divided.

2. THE ECONOMY

(a) *Joel Stern, President, Chase Financial Policy, Chase Manhattan Bank, New York, September 9, 1977*

Mr. Stern stated at the outset that the views he expressed were his own and did not represent the views of Chase Manhattan Bank. His testimony was a discussion of current economic conditions in South Africa, its problems and the outlooks for the future.

According to Mr. Stern, the South African economy experienced exceptional growth during the 1960's, and that it is the most developed and industrialized nation in Africa. Its raw materials include platinum, gold, chromium, and diamonds. He attributed certain economic difficulties of the 1970's to the failure of the Government to permit the upward float of the South African currency, the Rand, and that, because of this, a large a balance-of-payments surplus triggered inflation. As the price of gold rose, the inflation rate reached 12 percent in 1976. Mr. Stern attributed the deficit in the balance of payments that occurred in 1976 to a combination of inflation and the fixed exchange rate. In 1975, the Rand was devalued, and the decline in the price of gold exacerbated the balance-of-payments deficit.

With respect to the outlook for South Africa for the next two to four years, Mr. Stern testified that there were certain economic uncertainties. He stated that the Government must implement policies likely to permit competition of labor and production, and the foreign exchange and capital markets must function freely. He contended that the rate of growth of the money supply must be reduced, the rate of growth in government spending on non-defense products must be curtailed, and the Rand must be devalued, especially if the price of gold does not increase in the near future.

According to Mr. Stern, South Africa's economic problems were caused primarily by the failure to appreciate the Rand in 1971 as the huge balance-of-payments surplus materialized, and this in turn produced high inflation rates as the money supply rose by more than 60 percent in three years. He stated that South Africa needed tight fiscal and monetary policies without stifling fundamental economic forces.

In response to questions, Mr. Stern made the following additional points:

Trade is more important to South Africa than to the United States.

South Africa is reluctant to follow deflationary policies because of the effect it could have on black employment.

The American presence in South Africa is less important than commonly thought, because U.S. investment equals only 14 percent of total foreign investment in South Africa, and in evaluating the effect of withdrawal on the economy, one must focus on only that small sector.

The American participation in loans to South Africa is small, as British banks provide the major loans. Most funds that are being used to make loans internally are from deposits generated internally, not from outside sources.

U.S. banks have not substantially increased their lending to South Africa as the primary source of loans has been through foreign governments which lend funds to the South Africa Government to support the balance-of-payments problem.

U.S. firms in South Africa have been affected by recent demonstrations only in the difficulty on the part of large industrial companies in South Africa to obtain long-term credit on the open market.

There is not much U.S. investment capital flowing into South Africa due to political uncertainty, the rate of inflation, and the likely devaluation of the Rand.

The greatest U.S. impact on the South African economy could be made not through restrictions on investment, but in influencing the price of gold, which is its major export.

U.S. investment in South Africa has been good for blacks, particularly in terms of the training and education they have gained as it has given South African blacks a relatively high income compared to the rest of Africa.

Blacks in South Africa do share the benefits of economic growth, although not equally, and Mr. Stern contended that the wage gap between blacks and whites is narrowing.

He rejected the contention that there was widespread hostility between the races in South Africa.

3. SOUTH AFRICA'S FOREIGN POLICY

(a) *Pauline Baker, Fellow, Rockefeller Foundation, New York, September 9, 1976*

Stating that she was pessimistic about peaceful solutions to the problems of southern Africa, Ms. Baker testified she believed that the southern Africa region was drifting toward major international war. In her opinion, South Africa is the key to southern Africa and its transformation. However, for the Afrikaner community in South Africa, survival of the Afrikaner culture is the major goal, and to achieve this, they have adopted a system of aparthied or separate development. According to Ms. Baker, the aim of the Afrikaners' domestic and foreign policies is their survival as a people in an area threatened by black populations within and without. She contended that for the Afrikaner, change must be directed at this goal, and that white survival is equated with white supremacy, which is the basic political premise of the Nationalist Party ideology.

According to Ms. Baker, South Africa's foreign policy reflects its domestic insecurity. During the 1950's and 1960's, the Portuguese colonies had acted as buffer states while South Africa maintained its links with the West and developed economic relations with selected black African states. However, the changes set off by the Portuguese decolonization are still unfolding. South Africa now faces guerrilla war along its borders and domestic disruptions, and, since 1974, it has followed a dual policy of detente with black African nations in an effort to gain time and acceptance by the West, while at the same time it increased defense spending.

Ms. Baker contends that South Africa favors the recent U.S. involvement in southern African affairs because it has given South Africa a certain respectability and international status. She felt that blacks, however, had a mixed view of U.S. involvement. While they hope it could resolve the problems, they remain skeptical and fear that U.S. policies may subvert liberation. They object to U.S. opposition to foreign intervention in Africa which they see as a sovereign prerogative that the United States has no right to oppose; and they view the stress on transition to "moderate" states as an arrogant attempt to introduce Cold War competition into Africa.

Ms. Baker contended that U.S. policy toward Africa miscalculates African opposition to apartheid. She stated that black Africa sees the United States as against foreign intervention, against Marxist regimes, and against violence, rather than for majority rule, for economic development, or for African nationalism.

According to Ms. Baker, the United States must show its identification with African nationalism, and view South Africa as an instrument to achieve certain objectives. She argued that the United States could extract concessions from South Africa because that country now needs the United States. It also should get a commitment from South Africa to bring down the Smith regime in Rhodesia, and to include the South West African People's Organization (SWAPO) in the discussions over the future independence in Namibia.

With respect to the issue of Namibia, Ms. Baker sees this problem as one which could prove more difficult to resolve than that of Rhodesia. This is because South Africa has greater interests in Namibia and will not withdraw if it would produce a hostile enemy on its borders, would require an abandonment of the white community, or would jeapordize its economic interests in uranium and diamonds. According to Ms. Baker, South Africa seeks a transition in Namibia that will institutionalize parity between blacks and whites rather than majority rule. Basically, it seeks a moderate government with substantial white influence. Ms. Baker contends that war will continue in Namibia until SWAPO is recognized. She characterized SWAPO as a political rather than an ethnic party, and stated that it is a generally flexible organization which is not Communist, although it does have some Communist members.

With respect to Rhodesia, Ms. Baker testified that South Africa would like a Rhodesian settlement, and that international pressures are needed to move it in that direction because of internal right-wing opposition to any South African "sell out" of Rhodesia. She said that the only way to get South Africa to cut the lifeline to Rhodesia is to point out that a prolonged war could bring outside intervention and that an end to the war was in South Africa's own self-interest. If South Africa does not cooperate on the Rhodesian problem, Ms. Baker contended that the United States will have to move closer to support for liberation groups.

Ms. Baker supported the shuttle diplomacy of Secretary of State Kissinger, although she was not overly optimistic over its outcome. She pointed out the political importance of the United States to Prime Minister Vorster and noted that this could be an inducement to concessions. It was also significant that the front-line African states have accepted the possibility of an American role. She stated that the guerrilla movements are not in favor of foreign intervention in southern Africa, but that they would not reject it if it would be helpful to their cause. They see the Cubans as less a threat to Africa than does South Africa, because their intervention was for a limited operation. The Soviet Union is seen by some Africans as more of a threat.

Ms. Baker concluded her statement by stating that South Africa's goal is to make South Africa safe for Afrikanerdom, that this conflicts with the goal of African nationalism, and that the United States will have to make a choice between the two sides. In response to questions, Ms. Baker made the following additional points:

It is difficult to judge precisely the support SWAPO has in Namibia, and that while it has strong support among the Ovambo, it is not popular among the leaders of other ethnic groups. She stated it would be erroneous to say it is the sole representative of the Namibian people, although it is in a strong diplomatic position.

The political system of the Transkei is highly dictatorial.

The idea of some form of Western compensation to assist a transition in Rhodesia is of some interest, but it does not deal with the political situation.

Legislative acts such as repeal of the Byrd Amendment, ending tax credits to firms in South Africa and Namibia, and using U.S. firms for social change should be adopted, although their main contribution may be symbolic.

4. SOCIAL CONDITIONS

(*a*) *Leonard Thompson, Professor of History, Yale University, New Haven, Conn., September 9, 1976*

Mr. Thompson's testimony was primarily a description of the social implications of the South African system of apartheid which he stated was based almost entirely on official South African data. It was his contention that South Africa's political system, based on a system of racial divisions, permits the greatest co-existence of freedom and nonfreedom in one country. He stated that in South Africa, a person's life prospects are inexorably determined by ancestry and that the African, colored, or Asian has no prospects of moving into the free community. He testified that social services, employment opportunities, and political rights in South Africa are separate but not equal, and that racial inequality is prescribed by law and enforced by the police and the government bureaucracy.

Mr. Thompson totally rejected South Africa's claim that its policy of separate development is leading to a humane solution to South Africa's racial policies, and he stated that the South African Government can maintain its system only by force and that, as a result of the recent disturbances, its capacity to do so is now in doubt. It was his belief that any recent concessions made by the Government still conform to the broad policies of apartheid, and that change is being limited by the conservative white electorate. He stated that, although it is now rather fragmented, the real opposition in South Africa consists of illegal organizations such as the South African Students Organization (SASO), the African National Council (ANC), urban black and colored leaders, as well as some white church groups.

In response to questions, Mr. Thompson made the following points:

The system of apartheid places hardly any restrictions on firms doing business in South Africa, as long as they confrom to the racial laws.

U.S. firms operating in South Africa could be made to adhere to fair employment code if legislation were passed by Congress.

U.S. firms have been attracted to South Africa by cheap labor.

There was a sense of urgency among the white community as a result of recent events in South Africa, and there was deep hostility among the races.

B. United States Policy Toward South Africa

1. BACKGROUND ON U.S. POLICY 1969–70

(*a*) *Roger Morris, The New Republic, Washington, D.C., September 16, 1976*

Mr. Morris stated at the outset of his testimony that he had participated in the formulation of National Security Study Memorandum 39 (NSSM–39) while he was a member of the National Security Council (NSC) in late 1969–70, but that he had left the NSC in April 1970 and therefore had had no responsibility for the way the policy was subsequently executed. According to Mr. Morris, the factors involved in the NSC review of U.S. southern Africa policy and the development of NSSM–39 were the result of profound bipartisan flaws in the conduct and organization of diplomacy. These included bureaucratic disarray born among parochial, fragmented and client-obsessed bureaucracies which had not put forward a coherent policy toward Africa for a decade. Mr. Morris contended that as a consequence, the State Department had wanted to keep its black African client states from becoming restless; the CIA had desired to continue its cozy liaison relationship with the white security forces in South Africa; NASA had wanted to maintain its "Jim Crow" tracking station; the Commerce Department had wanted to soothe business clients; and the Pentagon had wanted to maintain access to South African facilities. According to Mr. Morris, the bureaucracy ultimately prevailed, and the African policy of 1970–1976, therefore was the logical extension of what had gone on before.

According to Mr. Morris, policy was based on an appalling ignorance of southern African history and politics within the Foreign Service, and NSSM–39 was a result of this ignorance. He acknowledged that the concept of "tar baby", as "option 2" of NSSM–39 became known in the bureaucracy, with its effort to reduce pressures on the white states in southern Africa and encourage racial moderation by diplomatic means and expanding contacts, was a flawed concept. He argued that the biggest flaw in NSSM–39, however, was the assumption that any reasonably consistent, purposeful, and occassionally even subtle policy could be conducted by the largely chaotic and incompetent bureaucracy which runs U.S. African affairs. This bureaucracy, with its same crippling approach and interests, is still intact and stands to mock even the most creative efforts made by the Secretary of State and Congress in the current African crisis.

A second major problem with the conduct of U.S. policy in the execution of NSSM–39 according to Mr. Morris, was the equally damaging role played by the Kissinger/Nixon White House. The behavior of the bureaucracy in evasion and fuzziness, was, in his view, mirrored at the top. According to Mr. Morris, the Nixon White House operated with both an abiding contempt for open policy and a thin veneer of racism. Yet, Mr. Morris contended, President Nixon and then NSC chief Henry Kissinger could also be sophisticated, knowledgeable, and concerned about southern Africa, and that this duality and paradox mocks simple-minded accounts of the White House policy role. However, when it came to policy implementation of NSSM–39, Mr. Morris contended that the White House surrendered policy judgement and that "tar baby" was reduced to a series of expedient moves to molify or enrich various special interests at the expense of national interests.

According to Mr. Morris, a third factor to be considered in reviewing NSSM–39 was the parallel incompetence, distraction, and ignorance of the Congress, press, and public. He argued that the "tar baby" policy survived for years because of contempt for and indifference in the Executive Branch for Congressional Committees on Africa. No one cared about Africa policy, and those who did were either uninformed, and therefore posed no threat, or were co-opted. While Mr. Morris expressed the hope that this situation in changing, he stated that the problem of the divided Executive bureaucracy still remains.

In response to questions, Mr. Morris made the following additional points.

He supported the Kissinger "shuttle diplomacy" in Africa because the stakes were so high and because a race war in southern Africa could impact on the United States. However, he stated that U.S. qualifications to negotiate in southern Africa are low because the United States did not possess the moral authority.

The United States might be able to act as catalyst in bringing the parties together, but shuttle diplomacy will only work if the protagonists want to negotiate, and a settlement cannot be imposed.

Secretary of State Kissinger is sensitive to racial questions and South African history.

The logic of South Africa's policy of separate development is the creation of independent states like the Transkei; the United States should not make the decision on whether partition should take place.

The idea of a Rhodesian compensation fund reminded Mr. Morris of the Mekong Delta plan, and he stated that the United States must learn it cannot buy its way out of complex problems. He stated that it will take local forces, not external money, to resolve the problems of southern Africa.

The best insurance of avoiding the policy errors illustrated in the implementation of NSSM–39 is to have qualified appointees making U.S. Africa policy.

The Bureau of African Affairs at the Department of State still tends to ignore officers with experience and knowledge of South Africa. Secretary Kissinger has relied on those with experience in black Africa. According to Mr. Morris, this is the same problem that existed in 1969.

The goal of NSSM–39 was based on the premise that, historically, isolation produced a laager mentality in southern Africa among the white regimes, whereas eras of greatest progress within the white societies were coincident with eras of less pressure. NSSM–39 put forward the concept that if the U.S. maintained contact on both sides, it could play a mediating role.

While NSSM–39 included a policy of communication with black Africans, it was primarily concerned with the principal target—that of the isolation, bigotry, and parochialism of the white community—because, according to Mr. Morris, if you want peaceful change in South Africa, you have to get the cooperation of the white population. However, it was never implemented in a relevant way, and became a rationalization for a number of actions by various bureaucratic and special interest groups for pursuing business as usual.

"Tar baby" has not necessarily been proved wrong by subsequent events.

The structure of decision-making in the bureacracy must be changed to avoid parochialism and open it to the consideration of national interests. This includes permitting entry into the Foreign Service to people who are sensitive to human issues, giving Congress a proper oversight role, and having a Presidential commitment to policy implementation.

With no senior official responsible for U.S. African policy oversight, the policy of the United States after NSSM–39 remained the same as before the policy review.

There is no conclusive evidence that economic development will bring about changes in apartheid, and such a theory now is irrelevant since the option of economic evolution is no longer available, given the escalation of war in the region.

The United States does not have conventional economic, strategic or political interests in South Africa, but it does have an interest in the sense that the United States feels more secure with nations which share our values.

(b) Donald McHenry, Carnegie Endowment for International Peace, New York, N.Y., September 16, 1976

Mr. McHenry testified that he participated in the policy discussions surrounding the adoption of option 2 of NSSM–39 in 1969 while he was a Foreign Service Officer at the Department of State, and he offered a somewhat different analysis of the policy process which occurred at that time than the view presented by Mr. Roger Morris. According to Mr. McHenry, the problem was not the chaos of the bureaucracy, but rather the fact that all the bureaucracies which had failed to gain White House approval for their policies during the Johnson Administration saw a new opportunity to shape policy with the review ordered by the incoming Nixon Administration. In his view, "tar baby" resulted from the adoption of all previously rejected proposals. Mr. McHenry testified that he saw in the current Kissinger diplomatic initiatives some of the same errors of methods and goals which were exhibited in NSSM–39, and in his view, NSSM–39 illustrated four characteristics.

First, it evidenced a lack of concern for Africa for itself and for the just cause of suppressed black majorities in southern Africa. It also indicated a tendency to subordinate African rights, and even long term U.S. national interests in Africa, to global interests.

Second, the policy formulation of NSSM–39 was accomplished in the greatest secrecy, and subsequently was kept secret, even from State Department officials concerned with Africa, lest they and the public oppose the new policy.

Third, "tar baby" represented the overwhelming influence of those who had no expertise on African questions. In Mr. McHenry's view, individuals possessing African expertise had less influence than those interested in selling planes, buying chrome, or in renewing military contracts. It was this latter group who questioned the depth of the African committment to liberation in southern Africa.

And fourth, the policy which flowed from NSSM–39 showed no concern for the role of the United Nations.

In Mr. McHenry's view, the Administration's "new" Africa policy shows a similar approach to policy because it was formulated with a high degree of secrecy, and with many State Department people excluded; because Secretary of State Kissinger has ignored those within the Department with expertise on Africa; because the policy appears more concerned with stopping Communism in southern Africa than with resolving the racial problems which provide the basis for Communist intervention; and because again the United Nations has been ignored.

While Mr. McHenry stated that he supported Administration efforts to resolve the Rhodesian and Namibian problems, he stated that they were more ready for solution than the problem of South Africa; and he argued that South Africa must be included as part of the entire subregional problem. In his view, future U.S. relations with South Africa should include the following points:

First, the United States should not confuse South Africa's interests with its own. South Africa seeks to install "moderate" governments in Rhodesia and Namibia to minimize pressures on itself, to buy time, and to enlist Western aid against Communism. Mr. McHenry contends that the U.S. interest in southern Africa is for rapid progress toward racial justice, and that such a change would also assist our interests in stopping Communism and in preserving our economic interests.

Second, the United States should be careful that it does not provoke criticism by providing assistance to South Africa. In his view, the U.S. Government should set the example and he pointed to the inconsistency of a policy which permits the Export-Import Bank to provide guarantees against political risk in South Africa—a nation whose political structure Secretary Kissinger has said "cannot last."

Third, no U.S. action should lend comfort to the system of aparthied, and the United States should announce early that it will not recognize the Transkei.

Fourth, the United States should credit South Africa for any assistance it provides for bringing about a peaceful resolution of the Rhodesian problem, but, at the same time make clear to the South African Government that it has not gained acceptance or respectability as a result of it.

In response to questions, Mr. McHenry made the following additional points:

The reason the Transkei should not be recognized is because it was created by the South African Government without consulting with the African majority. However, if Africans agreed to partition of the country, then it could be acceptable.

The Secretary of State has not addressed the problem of South Africa although, because they are all so intertwined, it cannot be isolated and treated separately from the problems of Rhodesia and Namibia.

The United States should not take sides between liberation groups in Rhodesia or with SWAPO in Namibia.

He supported economic and humanitarian assistance to the nations in southern Africa affected by the recent crisis.

NSSM—39 had evidenced flaws from the start, and it would not have worked even if there had been a conscientious effort to implement it.

In the formulation of NSSM–39, Mr. McHenry contended that Secretary of State Kissinger was not interested in Africa. Kissinger sought a policy which would provide some kind of overall formula for determining how the United States should react to problems in southern Africa because he did not want to be bothered with the endless decisions required by the existing flexible policy.

There were serious problems of a deliberate lack of coordination of African policy between the Department of State and the White House. In Mr. McHenry's view, the State Department was frequently ignored and omitted with the result that the Department was often undercut by the White House in the conduct of relations with African states.

The policy resulting from NSSM–39 may have had the effect of encouraging Portugal to retain its African territories longer than it might have, and this factor has hurt present credibility as a negotiator in that the United States is not perceived to be a neutral party, or as concerned with racial justice in Africa because previous U.S. interest has focused on global issues.

On the issue of investments in South Africa, Mr. McHenry stated that U.S. firms already are situated there and economic disengagement is unlikely. He stated however, that American firms have not exhausted the possible ways which exist within the law to improve the economic and social conditions of their African employees.

Mr. McHenry recommended that there be no new investment or expansion of current firms in South Africa.

While U.S. economic and strategic interests in South Africa are minimal, the United States does have an interest in peace and in justice in that country.

(c) *Edwin S. Munger, Professor of Political Geography at the California Institute for Technology, Pasadena, Calif., September 16, 1976*

In his testimony, Mr. Munger declared that a constructive U.S. policy toward South Africa must be based on a clearer perception of the forces at work within the dominant white oligarchy of South Africa, and he stated that he wanted to destroy four shibboleths concerning Afrikaners.

First, in recent years, both Africans and Afrikaners have changed and U.S. policy cannot be based on old stereotypes. Mr. Munger observed for example, that laws against interracial marriage are no longer supported by the majority of the Afrikaners and that most existing discriminatory legislation is likely to be repealed because most of it flows out of the racial philosophy upon which the Mixed Marriages Act was based. He noted that, in the United States, legislation against interracial marriages in the state of Virginia was repealed only ten years ago.

Second, ethnic tensions in South Africa exist within the black community as well as between blacks and whites.

Third, South Africa is not a Nazi police state nor the most repressive State in Africa. Mr. Munger argued that it is racist to act as though black lives and black liberties in the rest of Africa are unimportant. He argued that U.S. policy must be even-handed on this issue and that the United States should not single out South Africa while ignoring Uganda. He observed that the press in South African has more freedom than in the rest of Africa, and that there exists and independent judiciary which has often returned verdicts against the Government.

Fourth, Mr. Munger sought to correct the idea that the African "homeland" leaders are less concerned with the welfare of Africans than those who preach violence. According to Mr. Munger, the homeland leaders are not stooges or "Uncle Toms" and that because they

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LETTER OF TRANSMITTAL

THE LIBRARY OF CONGRESS,
CONGRESSIONAL RESEARCH SERVICE,
Washington, D.C., October 3, 1977.

Hon. DICK CLARK,
Chairman, Subcommittee on African Affairs
Washington, D.C.

DEAR MR. CHAIRMAN: I am pleased to submit this report entitled "International Credit and South Africa," in response to your request of Oct. 1, 1976. The report identifies international credit flows to South Africa and assesses the importance of such credit to that country.

The report finds that international credit filled the gap in foreign exchange financing—which South Africa needed during 1974–76 to cover its increased expenditures for oil and defense imports and new infrastructure projects—and thus directly supported the South African Government in its desire for greater economic and strategic self-sufficiency.

The report further suggests that continued access to international credit has become a grave issue for South Africa. During the first nine months of 1977 international banks have all but ceased granting medium-term loans to South Africa as a result of (1) political demonstrations against apartheid which have increased credit risk, (2) banks having approached their lending limits to South Africa as a result of the large commitments made during 1974–76, and (3) economic factors relating to the effects of economic recession in South Africa. It would appear that continued access to international credit will continue to be important for the South African Government, though not necessarily decisive, if it is to create the conditions and the confidence needed to support viable solutions to its political and economic difficulties.

This study was prepared by William N. Raiford, Analyst in Foreign Affairs, Foreign Affairs and National Defense Division, of the Congressional Research Service.

Sincerely,

GILBERT GUDE, *Director.*

Enclosure.

work within the South African system does not mean that they have been co-opted. According to Mr. Munger, the United States should recognize the Transkei homeland when it is granted independence in October 1976 and encourage investment in it to reduce its dependence on South Africa.

Mr. Munger stated that he was optimistic that the Windhoek Conference on Namibia, which was organized under the auspices of the South African Government, could provide a positive model for South Africa itself if it produces a peaceful transition to African rule. War in Rhodesia, on the other hand, might have a negative impact on white South Africans and could make them more unwilling to make concessions.

In response to questions, Mr. Munger made the following additional points:

He supported the Kissinger diplomacy in southern Africa because the price of chaos is too high.

The urgency of the South African problem is not as great as news reports would indicate and many options exist for organizing South Africa than the media, which tends to oversimplify, would indicate, including a possible confederal system.

The problems of Namibia and Rhodesia must be solved before that of South Africa because South Africa needs a positive model.

U.S. aid to Rhodesia could usefully contribute to stability and prevent a mass exodus of whites which has occurred in Angola and Mozambique.

He favors recognition of the Transkei and U.S. investment in that state to increase jobs and education.

He rejected the idea that the U.S. political system is the only one suitable for South Africa.

He believes that U.S. firms should take steps to improve the working conditions of their African workers in terms of training, housing, education, and pay, but he argued that this should not be achieved by legislation governing excess profits or tax credits.

The United States should clearly inform Afrikaners that the U.S. objective is not for their destruction, but rather for opening opportunities and racial justice for black Africans.

Black Africans do not want to see the withdrawal of U.S. investment from South Afiica, but they do want to see U.S. firms do more in terms of improving working conditions.

The United States has no interests in South Africa which should cause it to betray the moral, humanitarian, and philosophical interests that lie at the core of what the United States is all about.

(*d*) *John Marcum, Provost, Merrill College, University of California, Santa Cruz, Calif., September 16, 1976*

According to Mr. Marcum, the Administration has not learned lessons that should have been derived from the U.S. policy setback which occurred in Angola.

In his view, the goals of U.S. policy which were outlined during 1976 by Secretary of State Kissinger, are disturbing. According to Mr. Marcum, recent Administration statements suggest a theme that indicates the United States is still choosing sides, and, in his view, the integrity of U.S. policy in undertaking peace efforts in Southern

Africa would be enhanced if the United States were seen as even-handed. In his view, continued expressions of concern about "radicals" taking power; concern with global as distinct from regional issues; the congruence of U.S. and South African interests in seeing "moderates" taking power in Rhodesia and Namibia; and the overall impression generated by the Administration that we are mainly concerned with whites—all these factors have undercut U.S. credibility as a mediator. Mr. Marcum's basic thesis was that the effectiveness of U.S. policy is related to its integrity and credibility and that it is still wanting on those matters. For example, he pointed out that the Byrd Amendment permitted the importation of $43 million in chrome and ferrochrome from Rhodesia—which is the equivalent of about one-half of the Rhodesian defense budget—and yet the Ford Administration had not effectively lobbied for repeal of the Byrd Amendment.

According to Mr. Marcum, it is proper for the United States to have a preference for peaceful change or moderate governments in southern Africa, but he questions whether the United States should seek to "shape events" in that region or whether it should decide that certain groups are our enemies and others are our friends. He stated that while there was a time when the United States might have made constructive initiatives in Rhodesia and Namibia, the time now may have passed; at present, there is a danger that the United States might get embroiled to the point where it commits itself to one agreement in Rhodesia that could draw opposition from the guerrilla leaders. Mr. Marcum expressed the fear that the United States could be entrapped by a policy in which Washington might feel it has to protect its investment in a "moderate" solution, and he warned that the United States must make no commitments that would cause it to support "our" moderates against "their" radicals.

With respect to South Africa, Mr. Marcum argued that that country is in the process of accelerating its partition policy of the "homelands", in order to divest itself of its racial problem, and that South Africa has rejected the goal of a single common society. In his view, U.S. policy will either help reinforce the pressures for change within South Africa or reinforce South African resistance to change. In his view, current U.S. economic relations reinforce the South African system of apartheid, and therefore should be modified, taking to account the following three points:

First, the United States should accept the limits of its own ability to shape change within South Africa and accept the possibility that even the wisest U.S. policy cannot help save white South Africans from themselves if they refuse to abandon white supremacy.

Second, the United States should eschew self-righteous morality in relations with South Africa and concentrate on restoring integrity to U.S. policy.

And third, the United States should give high priority to the elaboration of overall policy goals and guidelines designed to bring coherence, credibility and maximum effectiveness to American policy.

Within this framework, Mr. Marcum argued that the United States Government should take the lead in implementing a policy designed to convert the $1.5 billion in American enterprise already in South Africa into a positive force for social change, and to limit or guide any future financial, scientific, or technological inputs into South Africa in a way which insures they conform to the principles of respect for human rights.

In his view, this could be done through the following:

1. The President could convoke the heads of the 20–25 major American companies which control 90 percent of U.S. investment in South Africa and mandate them to come forth with progressive policies with respect to wages, training, and unions, etc.

2. The United States could use taxation, licensing, contracts, lending, and other public power means to oblige American corporations with investments in South Africa to conform to principles of racial and social justice in South Africa. For example, excess profits produced by cheap labor could be returned to black employees through wages, and training and benefits.

3. The Administration could use the Office of the President to inform and educate Americans about the need to dissociate from South Africa and to establish a "watch dog" committee to coordinate U.S. African policy between the Departments of State, Treasury, Commerce, Defense, etc.

4. Above all, the United States must not try to impose any "made in America" solutions upon African problems. Rather, it should avoid any action which would encourage or legitimize the fragmentation of South Africa. It should follow the guidance of the Organization of African Unity on such questions as recognition of the Transkei.

In response to questions, Mr. Marcum made the following additional points:

It is better for the United States to negotiate through the leaders of the "front-line" states rather than to negotiate with individual liberation leaders. In his view, the meeting between Secretary of State Kissinger and Rhodesian nationalist leader Joshua Nkomo gave the impression that the U.S. prefers Nkomo, at a time when it is imperative that the United States must not decide that one group is "radical" or an enemy of the United States.

With respect to the idea of a compensation fund for Rhodesia, he believed that if it were supported by all factions, it would be a good idea; but that if it were opposed by any faction, the United States should not commit its prestige in supporting it against those who may not like it.

U.S. economic and technological ties with South Africa reinforce the system of apartheid and the U.S. must now use whatever leverage it has in attempting to bring about changes in South Africa and to convert our involvement toward altering its consequences.

The United States does not have important economic or strategic interests in South Africa, but it does have an interest in preventing South Africa from becoming a cold war zone and in acting responsibly according to our principles.

2. U.S. POLICY: TWO CONGRESSIONAL VIEWS

(a) *Steven J. Solarz, Representative in Congress, State of New York, September 30, 1976*

Congressman Solarz testified that Africa was one of the areas of the world where the United States had interests at stake, but about which both the Congress and the American people are not well informed. He stated that if negotiations with respect to Rhodesia are successful, it would be an American diplomatic triumph. He stated, however, that there remained many obstacles to be overcome and that there were still widely differing interpretations of majority rule among blacks and whites, as well as different views concerning the organization of a majority-rule government. He stated that Rhodesian Prime Minister Ian Smith had agreed to "responsible majority rule" and that this probably differed from the view of the black nationalists. He stated that if negotiations on Rhodesia fail, the United States should adopt the following courses of action:

First, the United States ought to identify more actively with the liberation groups than it has in the past, although, in view of the factionalism within the nationalist movement, it would be a mistake to chose sides. Nevertheless, if the United States does decide to provide them with any assistance, it should be funneled through the Organization of African Unity.

Second, it would be a mistake to become involved militarily if war escalates, but short of military involvement, there is more the United States could do to translate its rhetorical commitment to majority rule into specific support for the liberation movements. Mr. Solarz stated that the United States should supply substantial humanitarian and economic assistance directly to the liberation movements rather than through the front-line states, and he cited that there were 20,000 Rhodesian refugees in Tanzania and Mozambique. In addition, he suggested that the United States should provide funds for a Zimbabwe Institute to train Rhodesian nationalists for economic, administrative and governmental responsibilities along the lines of the U.N.-sponsored Namibia Institute. In addition, the United States should repeal the Byrd Amendment which in his view, is a test of the American commitment to majority rule.

Turning to the question of South Africa, Congressman Solarz warned that in the course of inducing Prime Minister Vorster to pressure Ian Smith into accepting majority rule, the United States should do nothing to sell out the interests of the 18 million South African blacks. He stated that South Africa should be induced to cooperate on the basis of its own interests, not because of any American diplomatic concessions. In his view, South Africa is like a volcano on the verge of eruption and based on a recent visit, he contended that it was the most repressive regime he had ever encountered. He rejected the view held by some analysts that South African society is more durable than that of Rhodesia, and suggested that the situation was likely to degenerate sooner in South Africa because of the psychological impact Angolan and Mozambican independence has made on the South African black community, and because of the intransigence of the white population. In his view, it is important that the United States assure African nations that it will support South African liberation as well as that of Rhodesia and Namibia. He observed that while it is possible to conceive how the "homelands" policy of South Africa could be a theoretically acceptable solution to racial tensions had it been accepted by the black population, the indications instead are that most blacks, particularly urban blacks, have rejected the homelands system.

In response to the current situation in South Africa, Congressman Solarz recommended the following policies:

First, the United States should not extend any dipolmatic or other type of recognition to the Transkei that would be interpreted as an implicit endorsement of the homelands policy. He noted that a substantial majority in the House of Representatives had voted in favor of a resolution against recognition of the Transkei.

Second, the United States should vigorously enforce the arms embargo against South Africa. He noted that, although he had not been shown any evidence, many blacks in South Africa were convinced that American arms were getting into South Africa with the covert, if not overt, cooperation of the United States Government.

Third, the United States ought to view American investment as a potential lever for change in South Africa. From discussions with black leaders he observed that there was an almost universal conviction among them that it would be a mistake for the United States to withdraw, but they thought U.S. investment ought to be used constructively to create opportunities for blacks. In his view, the only way the United States can politically and morally justify the continuation of American investment in South Africa is to use it to create opportunities for blacks that they otherwise would not obtain. He suggested that legislation be considered to establish a commission to study conditions of employment in U.S. firms in South Africa with a view toward returning to Congress with recommendations for legislation or administrative regulations designed to make American investment in South Africa contingent upon the adoption of progressive pay and personnel policies.

Congressman Solarz testified that he felt there was still time for the South African Government to make the kind of concessions which would enable a truly multi-racial society to emerge in South Africa, and that successful negotiations on the Rhodesian issue could strengthen the forces of reason and rationality within white South Africa. He concluded his statement by observing there are obvious limitations on the ability of the United States to affect the future course of events in South Africa, it would be a mistake to become involved militarily in any way. However, he did believe that the United States could move with the tide of history rather than against it, and that the United States do more than it has done in the past to identify with the forces of change and freedom in southern Africa.

(b) Hon. Andrew Young, Representative in Congress, State of New York, September 9, 1976

Congressman Young articulated the thesis that in southern Africa, the United States must decide whether it is to be on the side of white supremacy or struggling independence. According to Congressman Young, the recent ferment in southern Africa cannot be attributed to outside Soviet influence. Rather, it emanates from indigenous sources, and the dominant movement is self-determination. The United States has allowed its options in southern Africa to deteriorate over the past ten years and in order to correct this, it must recognize and support the movement toward self-determination because American moral and economic interests lie with black Africa. He cited, for example, that the volume of trade with Nigeria is twice that of trade with Soviet Africa, and that the United States will be forced to choose between either white-ruled governments or black Africa in terms of investment and resources. In his view, the United States should be on the side of independence in southern Africa, because this is also in the interests of the white community, whereas the best way to bring about violence in that region would be to continue to support the white governments.

Congressman Young stated that the United States should begin revising its southern Africa policy by recognizing the Popular Movement for the Liberation of Angola (MPLA) Government in Angola. He stated that when relations with Mozambique, Zambia, and Tanzania, become stable and positive, the United States will have the bargaining chips it needs to see Rhodesia and Namibia undergo some rational transition. With orderly transitions in these two countries, he stated he believed that the survival of freedom and democracy in southern Africa would remain a possibility.

With respect to South Africa, Congressman Young stated that he believed past U.S. policy had contributed to a positive climate for investment in that nation, and that now distinct steps should be taken to say to the American business community that the interests of the United States are such that the U.S. Government can no longer give any support, either by tax incentives or tax credits, to the investment of funds, resources, or technology in the white regime of South Africa. Without the support of British and American banks, the South African Government would be unable to continue its policies. In Mr. Young's view, the beginning of that kind of respectful relationship with the forces of freedom would encourage the forces of freedom within the black and white communities. The hardliners are in control in South Africa because good people are doing nothing and feel no support for policies of accommodation.

In response to questions, Congressman Young made the following additional points:

He supported the "shuttle diplomacy" of Secretary of State Kissinger although he thought it was too late, too little, and was not very optimistic about its outcome.

In his view, South Africa should be seen as a disruptive force in southern Africa and he felt that the Rhodesian and Namibian problems could probably best be resolved without South African assistance.

South Africa is still basically non-violent, and the recent demonstrations were not riots, but peaceful protests in which unarmed participants were fired upon by the police.

The front-line states see the United States as a force for economic development and recognize that the U.S. record on humanitarian aid is good, and they would reject Soviet assistance if they had other options.

He recommended that Secretary Kissinger meet with the real black leaders in South Africa, including those in detention.

The issues of freedom in southern Africa cannot be negotiated piecemeal; i.e., the problem of South Africa cannot be ignored while negotiations continue on Rhodesia.

3. U.S. POLICY: TWO EXECUTIVE BRANCH VIEWS

(a) *Stephan M. Minikes, Senior Vice President, Export-Import Bank of the United States, Washington, D.C., September 23, 1976*

Mr. Minikes testified about the policies of the Export-Import Bank with respect to the facilities available for assisting private capital in supporting U.S. exports to South Africa.

He stated that the Export-Import Bank operates under legislative mandate to facilitate U.S. exports by supplementing the private capital markets, filling in where the private market leaves off, as long as there is a reasonable assurance of repayment. The Bank operates on a self-sustaining basis and carries out its functions as part of the United States Government and within the context of existing foreign economic policy. The Bank sees its role as using its resources to assume commercial and political risks that exporters or private financial institutions are unwilling or unable to take, and that it does this through two categories of programs: guarantees or credit insurance for transactions financed by the private sector; and those in which the Bank provides direct loans in conjunction with the private sector.

Mr. Minikes testified that since 1964, Administration policy has precluded the Export-Import Bank from extending direct loans to South African buyers of U.S. goods and services. In addition, the Export-Import Bank does not support U.S. export sales to Namibia under any of its programs. The Bank does provide however, guarantees and insurance for privately financed U.S. export sales to South Africa, and it will agree to discount for U.S. commercial banks, obligations of U.S. exporters relating to sales to South Africa of up to $2 million per transaction.

Mr. Minikes stated that under the Financial Guarantee Program, the Bank guarantees repayment by the borrower of loans made by private lenders to facilitate U.S. exports. Mr. Minikes stated that, since February 1975, the Bank had authorized financial guarantees totaling $95.5 million in support of approximately $170 million in export sales to South Africa, and that these were principally in favor of the Private Export Corporation. (PEFCO).[1]

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[1] Mr. Minikes described the operation of PEFCO in this way: A commercial bank or exporter would submit an application to the Export-Import Bank for a guarantee, and if the Bank approves, a financial guarantee would be authorized which the commercial bank or exporter would take to PEFCO. They would request PEFCO to provide a loan in the amount of the guarantees, and if PEFCO accepted, the commercial bank or exporter then requests Export-Import Bank's financial approval of PEFCO's participation. Only if the Export-Import Bank approved all aspects of the transaction, including the terms and interest rate, would PEFCO actually provide the credit, which in effect gives the Export-Import Bank an absolute veto over PEFCO loans. The borrower would then pay the PEFCO loan at the normal rates, as well as the Export-Import Bank's customary fee for financial guarantees.

Mr. Minikes said that PEFCO had been founded in 1970 by a group of commercial banks and industrial corporations with Export-Import Bank cooperation for the purpose of mobilizing additional private capital toward financing U.S. exports, principally those requiring long terms. The corporation is owned by 55 banks, seven industrial corporations and one investment banking firm. Mr. Minikes testified that there is no limit on PEFCO loans, and that, for South Africa, they have ranged from $2.7 million to $49 million per transaction. In addition, PEFCO has made about $108 million worth of loans in support of U.S. exports to South Africa, which represented about 10 percent of PEFCO's worldwide operations.

By means of the discount loan program, and through the issuance of an advance committment providing standby assurance to a commercial bank which has purchased an export obligation and received an advance commitment, at any time during the life of obligation, the Bank would discount up to 100 percent of the outstanding balance at a fixed rate of interest. Mr. Minikes stated that under this program the Bank's aggregate committments to South Africa from 1971 to August 1976 totaled $117 million. Under the Bank guarantee program, which guarantees repayment of medium-term export obligations acquired by U.S. banks from U.S. exporters, only $4 million went for loans to South Africa out of a total of $579 million worth of authorizations in recent years. Under the Credit Insurance Program, in which the Export-Import Bank reinsures part of the commercial risks for the Foreign Credit Insurance Association [2] and provides all of the political risk coverage, $26.1 million was authorized for medium-term insurance and $115.7 million in short-term shipments were covered on U.S. export sales to South Africa out of a program of $3.5 billion.

Mr. Minikes testified that for national policy reason, 100 percent financing, not direct lending; that U.S. Government policy with respect to Export-Import Bank support of exports to South Africa is reviewed regularly at the highest level of government; and that after every recent review, it has been determined that the direct loan prohibition should remain intact because the United States strongly disapproves apartheid policies. He stated that the United States will continue to use its influence to bring about peaceful change, equality of opportunity, and basic rights to South Africa. At the same time, U.S. policy is based on the premise that commercial channels to South Africa should be kept open and that a U.S. competitive position be maintained.

In response to questions, Mr. Minikes made the following additional points:

The Bank has been very cautious in guaranteeing or insuring other than short- and medium-term credits to South Africa;

The total Export-Import Bank exposure in South Africa, in terms of its guaranteed insurance and discount loan program, has increased from 1971 to 1976. He stated that this change had occurred because South African policy now forced purchasers of foreign goods to source as much of the necessary financing from overseas and because of the perception of increased risk.

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[2] The FCIA is an association of about 54 of the leading U.S. casualty insurance companies which insures export credit provided by the private sector against normal, commercial risks.

Recent demonstrations in South Africa have affected Export-Import judgement on credits coming into the Bank. However, any political decision on loans to South Africa would be made by the Department of State.

PEFCO has a memorandum of guarantee from the Export-Import Bank which states that if the cost of money rate is greater than the rate quoted in the transaction, Export-Import Bank will, at its own option, provide the funds for PEFCO's participation in a loan. Mr. Minikes acknowledged that this could mean that the Export-Import Bank would provide funds to PEFCO for its loans, although he stated that this had never happened.

Mr. Minikes stated that he believed the Export-Import Bank restrictions on its exposure in South Africa had had an impact on U.S. economic relations with South Africa, although he could not quantify it, and he was unfamiliar with an NSC estimate that such restrictions had cost about $50 million-worth of American business.

(*b*) *William D. Rogers, Under Secretary of State for Economic Affairs, September 30, 1976*

Under Secretary Rogers testified on U.S. interests in South Africa, the policy implications of recent developments in southern Africa, and the purpose of Secretary of State Kissinger's efforts at "shuttle" diplomacy in Africa. He stated that during his trip, the Secretary of State had sought to explore whether the United States could play a constructive role in the search for peaceful solutions to the crisis in Rhodesia and Namibia. When the trip began, the prospects were less than favorable, but some progress had been made on the problem of Namibia and there was now a possible breakthrough on Rhodesia toward majority rule in two years. He asserted that these two developments were directly related to South Africa, and that South Africa had assisted in the negotiations.

Under Secretary Rogers stated that the American effort in southern Africa was not designed to establish a sphere of influence for the United States, nor was it designed to place our own nominees in power in Rhodesia and Namibia. Rather, it aimed at providing a peaceful alternative to violence or racial wars in southern Africa that could be an open invitation for foreign intervention and the radicalization of all of Africa. Mr. Rogers stated that a race war in that region could polarize international relations throughout the world, poison the atmosphere, and inflame passions in the United States. He stated that the United States could not impose a final solution, but could assist in finding African solutions to these problems at the negotiating table.

Mr. Rogers stated that the problems of Rhodesia are highly complex and included many parties—the British, the United States, South Africa, the nationalist leaders and the front-line states, but that the path was open for a peaceful resolution by the various parties through negotiations. The international community could cooperate by means of an international fund to ease the shock of transition to majority rule, but he emphasized that the program would not be a plan to buy out the holdings of anyone in Rhodesia.

According to Under Secretary Rogers, U.S. efforts to resolve the Rhodesian and Namibian problems would not dilute American efforts to influence developments in South Africa, and he observed that a peaceful resolution of either of these problems could have a positive effect on South Africa.

On the question of South Africa, Under Secretary Rogers noted that South Africa plays an important role in the world economy, that it was located on the crossroads of the Cape of Good Hope, one of the major trade routes used daily by Western nations, and that it is a source of valuable raw materials. He stated that U.S. economic investments in South Africa amount to a little more than 1 percent of total U.S. overseas investments, and that the United States exported about $1.3 billion worth of goods in 1975 to South Africa and imported about $850 million. South Africa was an important, but not vital, source of variety of essential materials such as antimony, manganese, vanadium, chromite, and platinum. Mr. Rogers stated that U.S. strategic interests in South Africa are modest, and that, despite its location between the Atlantic and Indian Oceans, the United States has determined that use of South African port facilities was not now vital to U.S. defense needs. A tracking station near Johannesburg is maintained on a standby basis, and the U.S. Air Force South Atlantic Test Range is used only infrequently.

Under Secretary Rogers stated the United States has made it clear to the South African Government that it views apartheid as both an unjust and unwise policy. No system that leads to periodic upheavals and violence can possibly be just or acceptable, nor can it last. Without pretending to have solutions to South Africa's complex problems, the United States intended to use its influence to bring about justice and equality.

Under Secretary Rogers said he agreed with other witnesses who testified about the positive effects that American firms committed to enlightened business practices could have on developments in South Africa. He stated that it is important for American business to continue to reflect the principles of the United States in their operations, and he believed that this could be done despite the existence of institutionalized racial discrimination; it presently was U.S. policy to encourage American businessmen to take positive steps to enhance the well-being of their black employees. He also stated that exchange programs with a broad cross-section of the South African population and communication with South Africans were important if change is to occur. The Administration opposed the isolation of South Africa and felt that the exclusion of South Africa from the United Nations would harm both South Africa and the international organization. Mr. Rogers stated that Africans had urged the United States to use its influence with South Africa to assist progress in Rhodesia and Namibia, and South African cooperation on these issues had not been secured by any trade or other concessions.

In response to questions, Secretary Rogers made the following additional points:

The five points announced by Rhodesian Premier Ian Smith on September 24, 1976, in which he agreed to majority rule within two years, should not be characterized as Secretary Kissinger's proposals. Rather, they were proposals that arose out of a considerable process of consultation with Great Britain, South Africa, and the African front-line states before the Secretary of State met with Ian Smith. While he did not want to add any additional explanation on the proposals, Mr. Rogers stated that the points announced by Ian Smith correctly represented the views of the United States.

PREFACE

The purpose of this paper is to identify the flow of international credit to the Republic of South Africa (hereinafter called South Africa) and assess its importance to that country.

The first section identifies the institutions which are suppliers of international credit to South Africa and specific agreements between these institutions and borrowing entities.

The second section relates the flow of international credits to South Africa's economic program and performance, focusing on the 1974–76 period. Although time and data constraints permit only partial identification of specific credits and their utilization by known entities, there are sufficient data available to make estimates within orders of magnitude which indicate the relationship between these credit flows and the economy of South Africa.

The third section assesses South Africa's strategy for adjusting to a sharp cutback in its access to international credit in 1977 in conjunction with its more normal international credit requirements and as the economy moves into its fourth year of economic decline.

Of the numerous people who contributed in various ways to this study particular thanks are extended to Mr. Vilay Soulatha, former Chief of National Accounts in Laos, who gathered much of the trade and national accounts data, prepared some of the Tables and offered helpful suggestions; to Miss Win Armstrong, International Economist from New York City, who offered encouragement, insights, and materials otherwise difficult to come by; to CRS colleagues Mr. Jim Robinson and Mr. Vladimir Pregelj for scrupulous review; and to the dozen senior officials in charge of South African matters for public and private financial institutions, whose interviews were most helpful in providing perspective on the data. The presentation and conclusions are, of course, those of the author.

He would not provide an unequivocal answer in response to the question of whether the five specific points had been cleared with the front-line states or whether they had been discussed only in general terms. Rather than try to construct the detailed history of the conversations leading up to the Smith announcement, it was best to maintain a tactful ambiguity in order to allow the negotiating process to proceed.

He believed that Britain would subsequently assume the major initiative on Rhodesia and that the United States role would be to support British efforts at negotiations.

The front-line states were in basic agreement with the proposals outlined by Smith, and on that basis a conference was being organized.

The idea behind the economic guarantee plan is to organize the international community toward providing support to ensure that the process of transition to majority rule would not have a devastatingly destructive economic effect on Rhodesia. The international community should be prepared with real resources to take advantage of the opportunities that peace and the end of the sanctions program would create. According to Under Secretary Rogers, this would involve conventional aid projects, and technical assistance. The international community could also underwrite committments which the new Rhodesian government will make, such as those with respect to what an emigrant can take out of Rhodesia by way of liquid holdings. Such a plan should be structured so the Europeans do not believe they have no future and that they must leave the country as soon as possible—an occurrence which could produce massive decapitalization. At the same time, a plan should not create an incentive to leave by creating windfall profits.

He stated that the Administration would not move out in front of Congress on the Rhodesian aid proposal and that there would be consultation.

The Rhodesian aid program would not be solely a venture for the public sector and he believed that the private sector would have a major role as the creator of needed jobs.

The United States does not seek to affect the structure or ideological base of "radical" states such as Mozambique even if they are organized on a basis of principles different from our own.

The United States opposes foreign intervention or an attempt by a foreign power to determine a solution for African problems.

The southern Africa policy initiatives depend on moral and diplomatic influence, not military involvement, and no circumstances were forseen for U.S. covert, overt, direct, or indirect military intervention in Rhodesia, Namibia, or South Africa.

The United States has not discussed any commitment to defend the transition government in Rhodesia or an independent Zimbabwe Government, nor has there been any commitment toward military aid to Rhodesia or any liberation group.

The United States has made it clear that it will not defend Rhodesia from outside attack.

In Namibia, the United States supports U.N. resolution 385 which provides for U.N. control of supervised elections in Namibia.

U.S. opposition to apartheid was conveyed to Prime Minister Vorster during private conversations.

The United States has tried to avoid characterizing the solution to the political problem of South Africa, but any acceptable solution must respect the rights of all people to have a voice in their political future, and a range of possible solutions exist that might effectively implement the fundamental right to self-determination.

Under Secretary Rogers stated that the impact of American firms in South Africa which follow progressive policies was somewhat successful in promoting changes in that society. However, he did not want to suggest that American investment was an engine for change so remarkably successful and decisive that the United States should encourage it. He stated that for that reason U.S. policy on investment in South Africa was neutral, and that the decision to invest in South Africa was left with the corporations.

U.S. policy to discourage investment in Namibia was based on the different legal status of that territory and the opinion of the World Court.

The Department of State could perhaps do more in terms of providing guidance for American firms with respect to progressive labor policies.

The policy of permitting the Export-Import Bank to provide guarantees does not conflict with the policy of remaining neutral on the question of investment because the guarantees relate to trade, not investment. Secretary Rogers stated that, except for the arms embargo, the United States does not attempt to limit trade to South Africa, as it is general policy to promote the sale of U.S. goods overseas.

Secretary Rogers could not comment on whether the Export-Import Bank relationship with PEFCO conflicted with U.S. policy to oppose direct loans to South Africa.

The Department of States would take under advisement the suggestion of a conference or a White House meeting to try to establish some guidelines short of laws to ensure that the operation of American firms in South Africa is consistent with U.S. policy goals.

Secretary Rogers stated that the manipulation of tax laws is probably not the best way to influence corporate behavior overseas, and that the problem would be to articulate a standard that would not produce an irreconcilable conflict for the corporation between what might be required under U.S. law, and what is required under South Africa law. He stated that there would be a very difficult enforcement problem with a law which would express U.S. preferences in another society, and he urged Congress to consider these problems before it considered any such legislation.

He felt that the withdrawal of U.S. investment from South Africa would not have a serious economic impact on that nation, except that it would probably cost black jobs and eliminate the beneficial role model progressive American firms provide.

He denied that U.S. economic investments create a vested interests in South Africa because they are too small, and that there is no reason for the United States to compromise its position in order to protect U.S. investments.

He stated that there was no evidence of violations of the U.S. arms embargo against South Africa via sales through third parties.

C. United States Economic Relation With South Africa

1. American Investment in South Africa: Contending Views

(a) *Jerry Funk, Deputy Executive Director, African-American Labor Center, AFL–CIO, New York, New York, September 22, 1976*

According to Mr. Funk, the recent racial demonstrations in South Africa were the consequence of a Government policy of bringing black workers into the white economy while at the same time denying them even the most elementary human dignities. In his view, the political system of apartheid is designed to exploit workers and it assumes that blacks will continue to offer labor without a just return or political rights. Mr. Funk testified that labor dissatisfaction is the key to understanding events in South Africa, particularly since Africans are discriminated against in education, job opportunities, and apprenticeships. Because labor is the key to the standard of living, he contended that even moderate blacks in the Republic now demand full trade union rights. He pointed out that currently, blacks can look forward to earning only one-fifth to one-sixth of the incomes of whites, and discriminatory legislation denies them equal access to housing, transportation, training, and education.

Mr. Funk stated that blacks are not regarded as "employees" under South Africa law. While it is not illegal for blacks to form unions, such unions have no legal standing. Thus, contracts are negotiated only by white registered trade unions, which blacks are not permitted to join. After some labor disturbances in 1973, the Bantu Labor Regulation Act of 1973 did permit the establishment of "Workers Committee" for blacks, but, according to Mr. Funk, these committees are regarded only as "company unions" since the liaison chairman and half the members are appointed by the employer.

According to Mr. Funk, a survey indicated that 51 percent of South African businessmen favor integrated unions and that they believe the liaison committees do not work. He testified that employers frequently circumvented job reservation restrictions because of a shortage of skilled white labor, and that a substantial number of employers see the necessity for representative trade unions for blacks as being in their own economic self-interest. Mr. Funk noted, however, that the South African Government still sought the continued exploitation of black labor and was willing to make only cosmetic, superficial changes in labor legislation that would still conform to the overall policy of separate development.

In Mr. Funk's opinion, change in South Africa must come from within the country, although he believed some pressures exerted from without could help bring about changes, and he suggested the following policies;

First, that pressures must be exerted from the home offices of U.S. firms which operate in South Africa to adopt more progressive employment policies. Mr. Funk said that firms frequently claim South African customs and laws restrict their ability to make reforms, but, in fact, there is no law against higher wages, training programs, and fringe benefits for black workers. In his view, American firms could negotiate with black unions on a good-faith basis even if these unions have no status under South African law.

He urged the U.S. Government to continue its stated opposition to apartheid, to take steps to make the arms embargo against South Africa more effective, and to take a more aggressive policy of advising U.S. firms what steps they could take to improve the working conditions of their employees.

In response to questions, Mr. Funk made the following additional points:

The question of whether to assist black unions in South Africa is quite complicated for the AFL–CIO because, while it has been asked to assist black unions, it basically opposes the "separate but equal" concept of apartheid and seeks instead to promote multiracial unions.

There is a division of opinion within the black community over the question of supporting black unions because, while recognized black unions might be able to make some improvements in working conditions in specific industries, the concept of separate black unions also would conform to the philosophy of apartheid.

American firms have not as yet begun to negotiate with black trade unions, but have stayed within the system of industrial councils and worker committee.

(*b*) *Thomas S. Green, Vice President of Administration, Norton Co.; Worcester, Mass., September 22, 1976*

In his testimony, Mr. Green described the operation of the Norton Company in South Africa. He stated that about 72 percent of its employees were black, that the firm had operations in South Africa as well as in some of the "homelands", and that the firm maintained a system of "Induma" committees of black workers with an appointed black chairman to discuss problems of supervision and represent the interests of the workers.

While stating that the standard of living of blacks in South Africa is low, Mr. Green testified that Norton pays wages which are considerably above the general average, and that it had instituted a policy by which all fringe benefits, vacations, pensions, and medical benefits were applicable to all employees without distinction of race.

In examining the issue of U.S. investment in South Africa, Mr. Green stated that a firm was faced with both a financial question—whether to withdraw, expand, or merely maintain itself—and a social question—how to improve the economic and human canditions of its employees. In his opinion, Norton had made an effort to create change in the areas on which it impacted, and he cited as an example, that the company had increased non-white wages half again as much percentage-wise as those offered to whites on each occasion of general or individual wage increases.

It was Mr. Green's view that foreign investment is important to South Africa because it strengthens the economic base of the country, provides jobs for the black population, and offers the opportunity to demonstrate the validity of equal treatment and integration of the races. He stated, however, that if South Africa initiates a policy of suppression, the business community would be hard-pressed to pursue these objectives and that many would reconsider the advisability of continuing or expanding operations in South Africa. On the other hand, as events develop, if it appears that the South African Government pursued policies that would move the country away from separate development, he believed that the combined efforts of the American business community could assume some importance by promoting such changes in these policies and by formulating and implementing business and community programs to support the transition.

Mr. Green testified that Norton was very interested in the proposal by Vernon Jordan of the National Urban League that a coalition of American businessmen be organized in the United States, and that it adopt specific recommendations relating to their business operations in South Africa. While Mr. Green stated that Norton would continue to take steps to narrow the wage gap and upgrade education and training of its workers, he felt that neither U.S. Government nor American firms should take full responsibility for promoting change in South Africa, as it is a problem which South Africa must resolve.

In response to questions, Mr. Green made the following additional points:

Enlightened American firms in South Africa can contribute to change by changing the social and educational climate in South Africa.

He agreed that the attitude of home offices of American firms was a very important influence on the whether their branches in South Africa adopted progressive labor policies.

He supported the idea of doing business with black trade unions.

The white trade unions in South Africa tend to support discrimination by negotiating wage differentials and other unequal benefits.

(c) *A. A. Cunningham, Vice President, General Motors, General Manager, General Motors Operation Division, September 22, 1976*

Mr. Cunningham testified about the operation of General Motors in South Africa which employs about 4,500 people. At the outset of his testimony, he stated that General Motors is subject to all applicable laws, regulations, customs and values of the countries in which it operates in the same manner that foreign firms operating in the United States are required to comply with U.S. laws. However, he stated that General Motors does not endorse apartheid and does believe in a moral obligation to export fair and progressive personnel and other business practices to its overseas operations. Consequently, General Motors was attempting to change apartheid to the extent feasible through presently available channels.

Mr. Cunningham testified that while South African laws require separate employee facilities for each race, General Motors had made them equal; that GM had obtained exemptions to the job reservation laws; and that GM officials had met South African officials, including Prime Minister Vorster, to urge changes consistent with a policy of equal opportunity. He stated that GM believed in working within the law to effect changes to the extent possible in providing equal opportunity for all employees regardless of race, and equal pay for equal work. He pointed out that General Motors pays blacks 81 percent higher than the average wage, coloreds were paid 42 percent higher, and whites 11 percent higher.

Mr. Cunningham testified that General Motors subsidizes transportation for its black employees, places all employees under equal benefit programs, assists in the education costs of African children, and has provided loans to assist blacks purchase homes. In his view, General Motors could make this contribution only as a part of the South African economy, and he suggested that any withdrawal of U.S. investment would have the most severe impact on the black workers. In his view, the void created by a withdrawal of American firms would be filled by European and Japanese concerns which would be unlikely to be as progressive in their labor policies as American firms. He also contended that African and colored leaders in South Africa do not support the withdrawal of American firms.

Mr. Cunningham stated that although General Motors sees its presence as a positive influence for economic and social change in South Africa, American firms ought not be used as a channel for imposing American solutions on the complex problems in South Africa.

In response to questions, Mr. Cunningham made the following additional points:

The example of progressive American firms in South Africa is a good influence on that nation.

American firms appear to be more progressive in their policies than other foreign investors.

General Motors has no objection to dealing with black unions.

Lack of black African education and training opportunities and background is the greatest barrier to promotion.

General Motors will consider options to withdraw from South Africa on a case by case basis, but it sees no reason to withdraw at the present time.

(*d*) *D. N. Wait, Chairman of the Board and President, Union Carbide Africa and Middle East Inc., September 22, 1976*

Mr. Wait testified that Union Carbide operated in South Africa to exploit the country's mineral deposits, and that throughout its history in South Africa (which dates back to 1929), Union Carbide had worked to improve the quality of life of its black employees, their families, and their communities. He stated that Union Carbide had made contributions to housing, education, medical care, and that it is committed to do more in accord with its six point code of conduct. Mr. Wait testified that while not all of its goals have been realized, Union Carbide had made progress on wages and training, and that the lowest paid employee earns 125 percent of the minimum living level established by the South African Bureau of Market Research. He contended that Union Carbide had reduced the gap between black and white wages for similar jobs, and that by 1977, their goal is to have a single-wage rate applying equally to black and white workers. Mr. Wait stated that, recently, more blacks had been moved into higher positions, and that Union Carbide had increased its training for artisans and scholarship programs. In his view, American investment in South Africa provides jobs for South African blacks and contributes, by the example set by U.S. firms, toward equal rights in South Africa. He argued that changes in U.S. policy aimed at forcing U.S. companies to leave South Africa are not in the interests of the Africans, since the abandoned facilities are likely to be operated by

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less enlightened successors. He viewed the South African Government as having been receptive, rather than antagonistic, to progressive training programs instituted by American firms, although he did acknowledge that white trade unions have offered some resistence to a number of the changes.

In response to questions, Mr. Wait made the following points:

White unions have resisted attempts to move non-whites into top "A" category jobs;

While no law prohibits blacks from supervising whites, the white unions oppose it, and it has never occurred in a Union Carbide firm in South Africa. Mr. Wait thought this customary attitude would break down in the future.

Repeal of the Byrd Amendment would have no real effect on Union Carbide since it does not rely on Rhodesian chrome in its operations.

Union Carbide's decision to invest in the Lebowa African "homeland" was treated like any other investment and was encouraged by the African homeland leaders because it would provide jobs for Africans.

In his view, the greatest obstacle to black advancement is the lack of education and training of black South Africans.

(e) *John P. McGoff, President, Panex Corporation, East Lansing, Mich., September 29, 1976*

Mr. McGoff testified that he owned sixty American newspapers and operated numerous contract printing plants in South Africa. With respect to the issue of American investment in South Africa, he stated that opinions tend to be divided into three camps: those favoring withdrawal of U.S. investment and seeking to institute an economic embargo against South Africa until it changes its racial policy; those favoring continuation of present investments but opposing any new investment as a sign that the United States disapproves of apartheid; and those who consider that adoption of either of those positions would be erroneous on diplomatic and humanitarian grounds.

Mr. McGoff stated that he does not defend the system of apartheid, which he believes blocks the development of South Africa. He believed that the use of American capital and production techniques in South Africa should be encouraged, and that his investment provides training, education, and good working conditions for black workers. Under the Bantu Investment Corporation, his company is required to hire a majority of blacks, train them in running the presses and management, with the intention of turning the plant and its assets over to the Bantu in 17 years.

He testified that the wages paid to black Africans in South Africa are ten times greater than in the rest of Africa, and that about half of the blacks in his firm are paid equal or better wages than required for whites in a union shop in South Africa. In his view, if Africa is to develop economically, it will need South African economic capacity, resources, and technological skills, and he will continue to expand in South Africa and encourage others to do likewise. From his own experience, Mr. McGoff found that American managers tend to dilute apartheid restrictions as much as possible within the existing apartheid laws, and that American firms in South Africa do have a humane influence. If American businesses pulled out of South Africa, blacks would suffer the most. He stated that while lack of freedom may be the greatest social evil, unemployment comes a pretty close second. He would oppose any economic boycott of South Africa on the grounds that such a policy would come close to a blockade and could be interpreted as aggression, and also because it would not assist blacks by crippling the South African economy. In his view, such a step might actually strengthen the hands of those whites who most resist racial reform.

In response to questions, Mr. McGoff made the following additional points:

He opposed the imposition of economic sanctions against Rhodesia because the United States needs to maintain access to strategic materials.

He approved Secretary of State Kissinger's diplomatic initiatives with South Africa and Rhodesia because it opened communication with the white governments of southern Africa.

He feels that South Africa will share some political power with blacks in an evolutionary process which could include a continuation of the policy of separate development with perhaps some sharing of power in the central government short of majority vote.

He would continue to maintain his investment in one of the African "homelands", even if the Department of State said such investment conflicted with U.S. foreign policy objectives.

(f) William Durka, Manager and General Counsel of International Legislative and Trade Policy Operations, General Electric, New York, N.Y., September 29, 1976

Mr. Durka testified that General Electric has conducted operations in South Africa since 1900. It presently operates one firm in Johannesburg and one in the African homeland of Bophutatswana, and that about 60 percent of its employees were black. He stated that it was company policy to pay equal pay for equal work, and that there were no separate pay schedules according to race. Wages for black employees at General Electric had increased 20 percent since 1970, while those of whites had increased 11 percent. He contended that South African customary and legal constraints against fair and progressive employment policies had declined in recent years, and that General Electric believed that this trend will continue. In his view, the shortage of skilled white workers had created tacit, if not official, Government acceptance of black upward movement in the economy.

Mr. Durka stated that General Electric's experience in South Africa has shown that fair and progressive employment policies reduces labor turnover, and increases labor productivity and morale. Improved economic conditions in South Africa will enable General Electric to make further progress in terms of worker training and upgrading, and that it is the company goal to treat all workers fairly with equal pay, equal benefits, and equal opportunity for training and promotion. Mr. Durka stated that the progress of General Electric firms in South Africa on these problems is reviewed both locally and at the U.S. headquarters.

In response to questions, Mr. Durka made the following additional points:

Recent uprisings in South Africa have not caused General Electric to change its plans to stay in South Africa, although it is not likely to expand operations.

General Electric's current investment in the homeland of Bophutatswana is not inconsistent with current U.S. policy on the homelands, and, if the U.S. Government did take a stand on this question, the company would conform.

While job reservation has relaxed, certain jobs, by custom or union insistence are still not held by blacks, and no blacks supervise whites.

General Electric has plans to have a program of equal pension benefits for all workers by 1977.

(g) *Paul M. Neuhauser, University of Iowa College of Law, Iowa City, Iowa, September 29, 1976*

In his testimony, Mr. Neuhauser stated that he represented the views of the Committee on Social Responsibility and Investment of the Executive Council of the Episcopal Church, and that he had recently taken part in consultations with leaders of the Church of Province in South Africa, in which black Church leaders were asked their views about foreign and American investment. He stated that the explicit response of black church leaders was that not only should American corporations not expand in South Africa, but, in a change from their previous position, they stated that U.S. firms should withdraw. Mr. Neuhauser observed that only two years ago this group had stated that it wanted to see how effective a vehicle for change nondiscriminatory employment could be, and that their current response represented quite a radical change for a rather non-radical group. According to Mr. Neuhauser, the reason for the change in position was that black church leaders now perceive worldwide economic pressures on the current South African Government as the only hope to avert a bloodbath. He stated they realized that while it would cause hardship to the black community, it was the only effective means of pressure. Such a policy would only require a minor, short-term sacrifice for the United States in terms of some lost profits.

Mr. Neuhauser stated that the Episcopal Church had passed a resolution which urged U.S. firms not to sell goods and services to the South African Government and not to expand their investment in South Africa. It requested that companies carefully balance the possible good their presence might serve in terms of employment and training for Africans against the support such a presence provides to the current government and its system of apartheid. The Church asked that if the presence of the American firms did not assist the struggle for dignity, they then should withdraw.

Mr. Neuhauser stated that U.S. firms do have a responsibility for the way their products are used by its clients, and that companies such as IBM should not sell computers to South Africa because they could be used for repressive purposes. He noted that some American firms, such as ITT and Polaroid, have refused to sell their products for use by the police and military, or for use in pass books, and that other U.S. firms should follow these examples of corporate responsibility.

(h) Gilbert Jones, Vice Chairman, IBM, Armonk, N.Y., September 29, 1976

Mr. Jones testified that South Africa's system of apartheid was incompatible with the fundamental IBM principle of respect for individual human rights. He declared that IBM abhors racial discrimination and is committed to extend IBM principles to every country it operates in, including South Africa. Mr. Jones stated IBM seeks to ensure that its policies and practices in South Africa are correct and contribute to progress, and he pointed out that leaders in the Ivory Coast, Ghana, and Zambia had given the impression they thought IBM's operation in South Africa was helpful to blacks. Mr. Jones testified that in South Africa IBM officials had met with a broad cross-section of society to assess the situation and had concluded that substantial change for the better had occurred since 1972, although considerable additional change was needed.

According to Mr. Jones, IBM has operated in South Africa for 24 years to market and service data-processing equipment. He stated that IBM was not the only data-processing firm in South Africa, and that independent firms sometimes buy IBM equipment and lease it. He stated that IBM employs about 1,500 people in South Africa and that two-thirds of its business is with the private sector and the remainder with the South African Government. Mr. Jones stated that the sale of large computers requires approval by the U.S. Defense Department, and Commerce Department and Export Administration licences, IBM computers sold to the South African Atomic Energy board to control nuclear materials information had been approved by the United States Government. He stated that IBM abides by United Nations and U.S. arms embargoes against South Africa.

Mr. Jones testified that IBM pays its employees equal pay for equal work and provides the same benefits, holidays and pension plans. He also stated that IBM provides additional benefits to its black employees, including 100 percent of their major medical plans, low rates on home-improvement loans, and interest-free high school loans for the children of its black employees. According to Mr. Jones, the reason blacks are not in the top-paying positions in the firm is due to the low educational level of the African population. Consequently, he stated that IBM has an intensive training program to lead blacks into professional careers, and that the firm also contributes to educational programs not operated by IBM. IBM sees itself as a good example in South Africa and it intends to do more to assist its black employees, but is constrained by the growth of its business. In addition, IBM favored the idea of an American Chamber of Commerce in South Africa and has discussed such an organization with other American firms.

In response to questions, Mr. Jones made the following additional points:

He believes that the progressive policies of American firms in South Africa have set an example which is being followed by other foreign investors, and which is even putting pressure on South African firms to do likewise.

He contended that foreign investment does not support the system of apartheid and that economic forces are compelling South Africa to treat its black citizens better.

SUMMARY

International credit suppliers to South Africa are: (1) the private commercial banks in the United States and Europe who are the primary suppliers of credit, (2) investment banking houses which handle the bulk of South Africa's bond issues as both agents and investors, (3) the government trade expansion credit agencies which play an important role in guaranteeing and insuring trade credits, and (4) the International Monetary Fund (IMF) which has been an important source of credit for South Africa during the past two years.

The primary lenders are private international banks and investment banking houses in the United States, England, Germany, Switzerland, France, and the Benelux countries. Four major private financial institutions in the U.S. and 14 in Europe have taken the lead role as managers and participants in this credit relationship and hundreds of smaller institutions have subscribed to loans or bond issues managed by the major institutions.

South Africa held a minimum of $9 billion in outstanding international credits at end-year 1976.[1] Of this amount $7.6 billion had been obtained from private commercial banks, an estimated minimum of $1.0 billion was in the form of outstanding bond issues, and $459 million represented credits obtained from the IMF. Some of the credits are guaranteed or otherwise supported by government trade expansion agencies. While this does not increase the total volume of credits *per se*, it does significantly raise the quality of such credit.[2] Most of these credits appear to be medium and long-term funds[3] loaned to the South African Government and its public corporations—$3.9 of the $4.3 billion in longer-term credits identified in this paper going to those entities.

The extension of international credit to South Africa escalated sharply in 1975 and 1976 and, correspondingly, became a much more significant portion of total foreign investment in South Africa.[4] In 1974 international credit represented 15 percent of total foreign investment; in 1976 it had more than doubled to become an estimated 32 percent of total foreign investment. Between 1974 and 1976 private international bank claims on South Africa more than doubled; at

[1] An additional $1.7 billion had been committed to South Africa by private commercial banks but had not been disbursed as end-year 1976. (Campbell, Mary and Francis Ghiles, New data on LDC debt. *The Financial Times*. June 17, 1977, p. 32.)

[2] U.S. Export-Import Bank exposure in South Africa was $205 million in April 1977.

[3] Medium-term credits have a maturity of one to five years and long-term credits a maturity of more than 5 years. These two loan categories, frequently referred to jointly as "term-lending," are generally utilized by the borrower for development purposes. Short-term lending refers to credits with a maturity of one year of less. Such credits are typically used by the government for balance of payments purposes and by private borrowers to finance trade. Of the $7.6 billion in international bank lending to South Africa an estimated $5 billion in term-lending and an estimated $2.6 billion is short-term credit. (See Tables 1, 4, 5, and 6)

[4] Foreign investment is made up "direct investment," which is typically multinational corporation *ownership* of overseas subsidiaries, and "non-direct investment," which is typically international credit (*indebtedness*) and ownership in a form which does not permit control, for example, holding a minority share of stocks. (See Chapter II.2)

While he recognizes that IBM products could be used in ways inimical to individuals and society, he stated that this has not been the case in South Africa; that IBM has been scrupulous in watching the end-use of its products, and IBM is satisfied that its products have not been used in ways inimical to respect for the human dignity.

No IBM computers sold to the South African Government have been used for security functions or military use, but only for accounting, payroll or administrative purposes.

IBM has sought to ensure, through discussions with the Departments of State and Commerce that its operations in South Africa are in the best interests of the U.S. Government, and the corporation has been praised by the Department of State for its enlightened employment policies.

The reason IBM operates in South Africa is that it is in the best interests of the stockholders and the corporations, because it offers good business opportunities, and because the U.S. Government has a policy that states it is in the interests of the United States for IBM to operate there.

He disagreed that IBM work on the passbook or "Book of Life" was supportive of apartheid because these documents provided statistical data which was the same for all South Africans; he denied that such work contributed to the oppression of people who carry books.

He acknowledged that in business transactions with any government, there is the risk of a sale where a computer may be used in ways which IBM might not approve.

He stated that IBM does not use moral criteria in its business transactions but does so with respect to treatment of its employees and the way it conducts business.

He stated that the U.S. Government should decide whether it is good or bad policy to have American firms investing in South Africa. If the decision is a negative one then the government should set forth a policy along those lines, rather than attempt to discourage investment through the manipulation of tax credits or tax laws.

(*i*) *Pierce N. McCreary, President and Chief Executive Officer, Quebec Iron and Titanium Corp., New York, N.Y., September 29, 1976*

Mr. McCreary testified that Quebec Iron and Titanium (QIT), a Canadian firm, has a 39⅓-percent interest in a beach sand mining and smelting complex on the Indian Ocean in South Africa, and that Kennecott Copper Corporation, of which he is a director, has a two-thirds interest in QIT. The sand deposits are located in the African "homeland" of KwaZulu, and Mr. McCreary testified that the KwaZulu nation was a partner in the enterprise. The company will pay the homeland about $3,900,000 in annual royalties when it achieves full production. He stated that the investment by QIT was supported by Zulu leader Chief M. B. Buthelezi because it would provide local jobs for Africans who would then be able to remain in their homeland rather than continue as part of the migratory labor system in South Africa.

Mr. McCreary stated that his firm considered the South African labor regulations as setting minimal standards, and the goal of his company was to be a progressive employer by implementing its North American labor policies in South Africa. Mr. McCreary stated that his firm had discussed its investment in South Africa with representatives of the Department of State who told company officials that it was U.S. policy to neither encourage nor discourage foreign investments. He said that he concurred with the view expressed by Chief Buthelezi that only good come from the QIT investment.

In response to questions, Mr. McCreary made the following additional points:

Twenty-five percent of the QIT investment has already been made and the firm does not expect to terminate it because of recent racial disturbances, although he acknowledged that a decision to invest in South Africa now would be more difficult.

There was no particular motivation for locating the smelter to the mines on the border outside the KwaZulu homeland except that the land was more suitable.

His firm is committed to the equal treatment of all workers, regardless of race.

He does not feel that the QIT investment is supporting the system of apartheid. According to Mr. McCreary, U.S. firms should not go into foreign nations with the idea of subverting the government, and that investors do not have to agree with all the policies of the host government.

Currently, QIT deals with black workers committees which elect their own representatives to work on a mixed liason committee, although he would have no objection to negotiating with black unions.

(j) *Jennifer Davis, Africa Fund, American Committee on Africa, New York, N.Y., September 29, 1976*

Ms. Davis testified that U.S. investment in South Africa should be ended, and she stated that the arguments advanced by American corporations in favor of continued investment do not reflect the real effect such investments have on the South African economy. According to Ms. Davis, ten years ago American firms justified their investments in South Africa because it was profitable and because such investments promised access to even greater markets. Now, she contended, since corporations have been critiziced for discriminatory racial policies and exploitation of African workers, they now justify their involvement in "do goodism" terms. In her view, this type of explanation tends to obscure and camouflage the impact that the operation of major American corporations have on the social, political, and economic structure of South African society. She argued that the tendency of corporations to focus on issues of jobs, training, equal pay, and other microeconomic issues obscures maroeconomic truths. She considered that the microeconomic approach ignores the fact the structure of South Africa's political system of apartheid is designed to prevent general equal opportunity for blacks. In her view, the arguments put forth by corporations that their presence has advanced African work and living conditions and has acted as a force for positive change, ignores the number of points:

First, economic growth and expansion are not inconsistent with the development of repressive police states.

Second, corporations minimize the significant roles that U.S. corporations play within the South African economic and political structure. In her view, American firms are not the small peripheral companies in South Africa, but rather are the heavy-weights which frequently dominate important sectors of the economy. She cited, for example, that Ford, General Motors and Chrysler control 60 percent of the South African auto industry.

Third, corporations attempt to veil the very direct cooperative relationship that often exists between them and the South African Government.

Fourth, American corporations refuse to deal with reality in that their continued presence in South Africa requires, for profitable operation, a constant level of stability, and there exist links between the corporations and the U.S. Government which inevitably involve the United States Government in a similar quest for the maintenance of peace and stability at the same time that black South Africans are seeking to destroy the apartheid system.

To illustrate her points Ms. Davis argued that the expansion of CALTEX in South Africa, which she contended, supplies oil for military and civilian use, had not provided any African jobs because of the highly technological nature of the industry. As a result, American firms are supplying the South African Government with oil—a particularly strategic material for South Africa which has no domestic oil reserves. She similarly criticized IBM, another high technology industry, which does not provide many jobs for Africans, and which does one-third of its business with the South African Government. She rasied the question whether the South African Government could as effectively store records used to monitor the African population without the use of computers. In her view, IBM has helped South African business to expand by replacing labor with machines in a way which provides little benefit to the black African population. She concluded that the negative impact of American investment in South Africa outweighs any benefits.

2. U.S. LOANS TO SOUTH AFRICA

(a) George J. Vojta, Executive Vice President, Citibank, New York, N.Y., September 23, 1976

Mr. Vojta testified on the lending policy and decision-making process of Citibank as it related to South Africa. He stated that Citibank regarded its corporate mission as bringing the provision of a full range of financial services everywhere in the world where it can legally operate at a profit. He stated that in its overseas operations, Citibank must conform to the particular laws of a host country legislated by the indigenous governments. Mr. Vojta stated that Citibank operations in any country does not imply approval for the form of government or policies of that country, and Mr. Vojta declared he personally opposes apartheid on the grounds that it is morally objectionable and because, in the long run, it will prove damaging to South Africa's viability. He believed that Citibank earns its way as a financial intermediary by making a tangible economic and social contribution to the community it serves and, accordingly, the presence of Citibank in South Africa as an agent of economic development benefits all the people of South Africa. By contributing to the creation of a more developed economic system, Mr. Vojta felt that Citibank contributes to the development of a more pluralistic social system. On the other hand, he acknowledged that Citibank's ability to influence the social and political setting in South Africa, or any other country for that matter, is limited, and that, in the strictly political sense, the one rule for American multinational corporations around the world is "hands off".

Mr. Vojta stated that Citibank uses the same country risk evaluation procedure in assessing loans worldwide, and that each country is assessed at least once a year. In a country evaluation, local data on business conditions are modified by judgments on economic, political, social, or international factors which might affect a country's ability to operate on a viable basis, and to insure and service its international debt. He stated that the total capitalization of Citibank's South African subsidiary was about $11.5 million, which meant that local liabilities are limited to 160 million Rand. Citibank also makes loans in foreign currencies because the foreign loan portfolio tends to be larger than the local portfolio, and that this is also true in the case of South Africa. About 15 percent of Citibank's total loans in South Africa are booked to U.S. multinational corporations, about the same proportion to non-U.S. multinationals and most of the remainder to South African firms and government corporations engaging in specific development projects. It also has a small commitment to the South African Government for general purpose financing.

Mr. Vojta stated that in the operations of Citibank in South Africa, the firm pursues progressive employment policies, which he feels provides a good example. He was not convinced that the withdrawal of American investment in South Africa would either advance the cause of equality or necessarily ruin the apartheid system, and he thought firms should remain and attempt to change apartheid by means of their business practices. He stated that withdrawal was likely to constrict the South African economy and would have its most adverse effects on blacks.

In response to questions, Mr. Vojta made the following additional points:

It has been Citibank's experience throughout the world that the process of social change tends to be associated with a growing and expanding developing economic system that provides the environment for progress. In his view, economic development and greater economic opportunity leads to greater political participation and freedom. In this context, there has been such progress in South Africa over the past thirty years.

He rejected the contention that because of their economic interests, American firms have a vested interest in stability regardless of how oppressive a system might be, and he stated that his firm would not go to the South African or U.S. governments in an attempt to curb instability in order to protect its investment.

Future strikes and demonstrations in South Africa would discourage loans to South Africa because the political situation affects the viability of a nation. He stated that current disorders must be viewed as a serious matter by any creditor or investor.

Citibank deals with a variety of governments and it makes no political judgments as to the political nature of the regimes of the countries where it does business including the USSR.

If repression accelerated in any nation, it would probably have consequences that would be adverse to the performance of the economy and would influence Citibank's decisions concerning loans.

Citibank would not adopt a policy of restricting loans to South Africa because of apartheid because it believes it is improper for a private business institution to make that kind of explicit political judgment.

Most loans to South Africa are of a short-term nature and mature in less than a year.

Citibank has made no loans to the Transkei and does not operate in Namibia.

(b) Timothy H. Smith, Director, Interfaith Center on Corporate Responsibility, New York, N.Y., September 23, 1976

Mr. Smith testified in opposition to the continuation of bank loans to South African firms and the South African Government as well as to foreign firms operating in South Africa by American, European and Japanese banking institutions which, he stated, are organized by the European-American Banking Corporation, His rationale against such loans is that the provision of foreign capital to South African government agencies and private concerns has the effect of supporting white majority rule and the status quo in South Africa. He contended that American banks should follow the example set by the Maryland National Bank, which has declared it will not make or participate in loans to the South African Government and will divest itself of such loans it currently has, in order to convey its lack of support for apartheid. The First Bank of Pennsylvania also announced it would make no loans to companies for investment or expansion in South Africa.

Mr. Smith contended, first, that the South African economy is directed at political as well as economic goals and that the white minority is designing the economy to bolster its political system and, as a result, all foreign loans must conform to this overall design.

Second, it was a morale boost to South Africa to see Western firms continue to conduct business as usual despite condemnations from the United Nations. As a result, South Africa feels no need to take U.N. condemnations seriously since it knows it will not inconvenience any essential business relationship.

Third, loans provide relief in any balance-of-payments crisis, and the fact that U.S. banks will make sizable loans is an indicator of investor confidence in South Africa's economic and social future.

Fourth, U.S. bank loans subsidize South Africa's military capability and thereby constitute a direct resourcing of machinery for oppression of the black majority.

According to Mr. Smith, the hundreds of millions of dollars worth of U.S. loans to South Africa and $1.5 billion in investments have created what he termed an American "invested" interest in South Africa. In his view, the United States becomes mortgaged to South Africa, and the bank then has a stake in its loan projects that creates a vested interest in economic and social stability rather than change. This trend leads to a situation whereby American firms tend to promote a pro-white position in South Africa. For example, Mr. Smith claimed officials of Citibank contend that things are changing for the better in South Africa, when, in his view, just the opposite is true. In addition, the vested interests of banks and corporations affect U.S.

Government policy because policymakers are loathe to jeapordize U.S. business interests in a region.

Mr. Smith contended that American firms and banks tend to argue that their involvement is contributing to the improvement of the social situation, and such an argument implies that since things are changing for the better, the United States should not adopt a hard policy toward South Africa. In his view, American firms fail to make a distinction between the economic effects and the political effects of investments. He argued that the entire premise that the situation of blacks in South Africa is improving requires reexamination, because, in his view, blacks are not better off today than they were thirty years ago because political oppression has increased and the wage gap between blacks and whites is widening.

In response to questions, Mr. Smith made the following additional points:

All investment ultimately winds up supporting apartheid, even if that is not the specific or conscious goal of the individual firm.

He stated that perhaps one form of investment which could advance desirable social objectives in South Africa might be loans to black-run, black-controlled development projects. Most of these loans would be small, and he was not aware of any banks which are currently making such loans.

A projected Citibank loan to the Transkei for $14 million would in effect endorse the system of apartheid (Citibank denied that it had made such a loan).

American loans to South Africa could assist South African nuclear development.

By providing information and economic data, banks becomes catalysts for further investment.

The Department of State should discourage future loans in South Africa as it has in the case of Namibia.

All banks should be required to disclose any loan made to the South African Government or to indigenous private firms.

It is impossible for American firms in South Africa to operate in a neutral manner because support of the status quo, in effect, supports white minority rule.

3. SANCTIONS AGAINST RHODESIA

(a) *Rev. Larrold K. Schulz, Executive Director of the Office for Church in Society of the United Church of Christ, September 17, 1976*

Rev. Schulz testified that American oil companies supply oil to Rhodesia in violation of U.S. law and he presented to the Committee a series of documents which he said offered substantive proof of a conspiracy to violate sanctions and these should be investigated by the U.S. Department of the Treasury. According to Rev. Schulz, a secret conspiracy exists whereby Mobil South Africa provides oil products to Mobil Rhodesia. He asserted the documents prove that the sale of refined petroleum products to Rhodesia was continuing despite the passage of the U.N. sanctions against Rhodesia and despite the U.S. Executive Orders which prohibit such trade. He claimed that the documents were authentic, that several experts agreed that they could not have been fabricated, and that the responsibility for disproving the charges lies with Mobil Oil.

According to Rev. Schulz, since the closure of the Mozambique/Rhodesian border in March 1976, Rhodesia must be obtaining all its oil from South Africa. He argued that his documents show that oil came from Mobil Oil South Africa to Rhodesia by means of a paper corporation. He believed that Caltex, BP, and Total also operate in the same fashion, although he only possessed evidence implicating Mobil. In his view, the evidence indicated a conspiracy by Mobil Oil South Africa to violate sanctions established by the United Nations and the spirit of the Executive Orders governing U.S. compliance with U.N. sanctions. Rev. Schulz refused to comment, however, on whether or not such a transaction was a violation of U.S. law. He did state that such action clearly violated American intentions with respect to compliance with the U.N. sanctions program.

Rev. Schulz made the following policy recommendations in testimony:

1. Congress should investigate U.S. oil companies in South Africa to determine if they directly or indirectly supply oil products to Rhodesia.
2. Congress should pass a law prohibiting trade with Rhodesia by U.S. companies, including their subsidiaries.
3. The Department of the Treasury should release all its findings with respect to Mobil Oil.
4. The Secretary of State should request that the Official Secrets Act of South Africa be waived to allow for a full investigation of Mobil Oil and Caltex.
5. The Byrd Amendment should be replaced.
6. The United States should not recognize the Transkei.
7. Sales by U.S. corporations and their subsidiaries for possible use in Namibia should be prohibited by U.S. law.

In response to questions, Rev. Schulz made the following additional points:

While he would not reveal the source of his evidence, he said the data was compiled by OKHELA, a group in South Africa which opposes apartheid.

It would appear that according to current U.S. law any American firm which sought to violate sanctions against Rhodesia would merely have to open a South African subsidiary.

He believed that Mobil Oil was willing to trade with Rhodesia because it believed that the U.S. Government favored trade with Rhodesia.

U.S. corporations operating in South Africa contribute to white control even though they talk about creating better working conditions.

(b) George A. Birrell, General Counsel and Vice President, Mobil Oil Corp., New York, N.Y., September 17, 1976

At the outset of his testimony, Mr. Birrell stated categorically that Mobil Oil had not violated any law pertaining to sanctions against Rhodesia. He stated that when the charges that Mobil Oil was violating sanctions were raised by the United Church of Christ, Mobil immediately began an investigation to see if its South African affiliate had violated company policy with respect to Rhodesia. According to Mr. Birrell, Mobil's policy in fact goes beyond the requirements of U.S. law, which, he stated, does not apply to its

South African affiliates. He stated, however, that the Official Secrets Act of South Africa and the Rhodesia authorities prevented the company from carrying out the investigation to a conclusion.

According to Mr. Birrell, the problem lies in the differing policies of the United States and South Africa with respect to the U.N. boycott of Rhodesia. Mobil Oil is caught in the middle in as much as U.S. government regulations implementing sanctions apply to U.S. corporations or U.S. citizens but not to South African companies. Mr. Birrell stated that when sanctions were imposed against Rhodesia in 1966, Mobil's South African affiliate agreed to comply with Mobil company policy under which company affiliates do not sell to Rhodesia. Although South African law not only permits such sales, but actually bars certain impediments to such trade in its internal commerce, Mobil clearly expressed to its affiliates that it expected compliance with the sanctions, and that until charges were made by the United Church of Christ in the summer of 1976, Mobil had no reason to doubt that its policy was not being followed. This was because Mobil South Africa had agreed to accept company policy and periodically asserted its compliance; Rhodesia had alternative Mozambican and South African suppliers; and information received by management revealed no inconsistencies with the periodic assertions by Mobil Rhodesia that the Rhodesian government agency GENTA was Rhodesia's source of oil.

Mr. Birrell testified that when Mobil Oil requested the manager of its South African affiliate to respond to the United Church of Christ report, the reply indicated that because of the South African Official Secrets Act, both South African affiliates would have to refuse comment on the Church report and would decline to provide information that has requested in an Administrative Order served on Mobil by the U.S. Treasury. Such a response shocked Mobil officials, but after subsequent attempts by the company to obtain the information, they were told they would be subject to prosecution under South African law. South African Government officials said that Mobil must comply with its law, that it was long-standing Government policy to require sales to willing and able buyers, and that it prohibited use of destination commitments. The South African officials stated that this policy applied to all dealings with all customers domiciled in South Africa, and could be discussed only on a government-to-government basis since it was a matter of official policy. According to Mr. Birrell, South African Government directives to Mobil may exist. He speculated that South Africa might have told the Mobil South Africa manager that Mobil can refuse to sell oil to Rhodesia but it must continue to supply ordinary customers without a condition of prior restraint if they resell it. He stated that Mobil had always sold its products to SASOL, the South African corporation, and that it would have no way of determining if SASOL resold its products to Rhodesia. The issue focused on the question of whether Mobil deliberately participated in third party companies for the purpose of resale, and on this point Mobil categorically denies the charge. He did say that SASOL and GENTA might have used such paper companies, and that if Mobil had refused to sell to SASOL, it would have been subject to prosecution under South African law.

According to Mr. Birrell, it is not a violation of U.S. sanctions regulations for Mobil South Africa to supply oil to Rhodesia because it is incorporated under the laws of South Africa, its management is South African, and it must obey the laws of South Africa, in the same way as any American subsidiary of a foreign corporation must obey U.S. laws. He stated, however, that the South African affiliate did claim that it had never received the documents which the United Church of Christ has offered as evidence, and that the documents are not consistent with any other information compiled by Mobil Oil. In addition, the South African management has affirmed their compliance with Mobil Oil Corporation policy and Mobil feels that it has done all it can do to secure compliance with both the letter and the spirit of U.S. sanctions regulations.

In response to questions, Mr. Birrell made the following additional points:

He believed that the reason Mobil South Africa could not supply requested information was because of the purpose for which it had been requested. In this case, it was to make it available to the U.S. Treasury by a government that had a different policy with respect to supplying petroleum to Rhodesia.

It will require government-to-government cooperation to get to the root of the problem of how oil is supplied to Rhodesia.

If it were proved that Mobil South Africa was violating sanctions, Mobil would have few options to prevent it. It could appoint new directors, but they also would be subject to South African law and, he stated, that perhaps it would not be possible to comply with both American and South African law.

He stated that those who made the charges against Mobil seek to blacken the name of Mobil and to create an outcry against Rhodesia, and that the representatives of the United Church of Christ had been hoodwinked.

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end-year 1974 they were $2.7 billion, at end-year 1975 $4.8 billion, and at end-year 1976 [$7.0–$7.6] billion.[5] In addition, IMF credits to South Africa increased from nil in 1974 to $94 million in 1975 to $459 million by end-year 1976. Figures on outstanding bond debt are not publicly available. In essence, international credit became a major component of total foreign investment in South Africa by 1975–76.

Economically, international credit, particularly commercial bank credit, was of great importance to South Africa during the 1975–76 years, covering the cost of the sizable current accounts deficits incurred due to the governments economic and "strategic investment" programs.[6] New international bank credit disbursements during 1975–76 were at least $4.3 billion or a sum greater than the $4.1 billion current accounts deficits for those two years.

	U.S. billions
Net international bank loans:	
1975	$2.1
1976	2.2
Total	4.3
Current account deficit:	
1975	2.4
1976	1.7
Total	4.1

Politically, international credit provided the margin of funds needed by South Africa in the 1974–76 years to increase its economic and strategic self-sufficiency through infrastructure development implemented by government public corporations and through helping to offset the increased costs of oil and defense imports. Oil and defense import costs quintupled between 1973 and 1976, from an estimated near $400 million in 1973 to an estimated $2 billion in 1976. These cost increases alone constitute approximately one half of the current accounts deficit for 1974–76 and can be said to have been covered by government short-term borrowing in international money markets. These purchases enabled South Africa to continue its oil stockpile buildup, now estimated to cover two or more years of consumption, and to significantly increase its military capability. In an April 1977 statement Prime Minister John Vorster stated to the South African National Assembly that "South Africa has made the best preparations possible not only in getting the necessary weapons, but also in stockpiling strategic materials."

Public corporation infrastructure development was substantially aided by the $2.5 billion in international term-lending credit commitments during 1974–76 which are identified in this paper. Of particular significance is the use of these credits to pay for the heavy

[5] The 1975 and 1976 figures are from the Bank for International Settlements (BIS) Annual Reports. The 1976 figure from the BIS Annual Report is $7.0 billion. However, *The Financial Times* reported on June 16 that the BIS had circulated an unpublished report to central banks which gave a 1976 end-year figure for South Africa of $7.6 billion. (Campbell, Mary. op. cit., p. 32.) The larger figure is based on a special survey done by the BIS and included reports from some non-U.S. bank offshore operations as well as more complete data which are not picked up in their regular reporting system. In this paper the $7.0 billion figure will be used when trends and comparisons are being discussed as this figure is based on the same reporting system as that from which the 1974 and 1975 figures were obtained. When discussing end-year 1976 or 1977 data or issues the $7.6 billion figure is used. While this is less than satisfactory the use of $7.0 billion permits a more accurate sense of trends while $7.6 billion more accurately represents end-year 1976 indebtedness [It can also be assumed that the 1974 and 1975 figures are understated.]

[6] "Strategic investment" is the author's term and not an official South African designation. (See p. 50.)

captial goods imports, and accompanying transfer of technology, which are critical to the growth and modernization of the economy. The government public corporations which were the beneficiaries of these credits are responsible for, and have a virtual monoploy on, the nation's transportation, communications, energy and steel production capability, all important to the national defense as well as the national economy.

The notable success which South Africa achieved in the 1974–76 period in modernizing its infrastructure and in its oil and military equipment import programs may be viewed as the implementation of a policy of "strategic investment." South Africa's oil stockpiling may also be viewed as encomically prudent as well as strategically important, and the infrastructure development that has taken place represents normal growth under conditions of more or less normal (i.e., non-strategic) economic development.

The basic finding of the first two sections is that, regardless of whether policy is interpreted as being tilted towards strategic investment or economic development, international credit filled the gap in foreign exchange financing which South Arfica needed to cover its increased oil and defense imports and new infrastructure development costs and thus directly supported the South African Government in its desire for greater economic and strategic self-sufficiency.

The United States Government is in the process of formulating a policy program to give effect to its stated opposition to the apartheid law and policy of the South African Government. Within this context international credit is being examined as a potential instrument of policy. An assessment of the degree to which South Africa is reliant upon international credit is a first step in determining the potential strength of this instrument.

It would appear that South Africa is more dependent upon international credit than ever before. The security requirements which stimulated the strategic investment program are appreciably greater. The economy is moving into its fourth year of decline and investor confidence is likely to be further reduced if international credit is withheld. Foreign direct investment—the principal force behind economic growth—has all but ceased. Finally, in 1977 there is the immediate need to repay $3.4 billion in maturing international bank claims.

Despite this need, U.S. commercial banks and reportedly some European banks as well have not extended term loans to South Africa in 1977 although short-term credits continue to be granted. Private bank sources state that their decision to hold term-lending in abeyance is due almost wholly to the political risk associated with apartheid rather than to concern about the South Africa economy which is considered fundamentally strong.

Partly as a result of the decision of these banks to withhold term loans, the government of South Africa adopted a 1977/78 budget and a 1976–81 "Economic Development Programme" based upon a sharply reduced flow of international credit. In essence, South Africa, which sought to reduce its vulnerability to external pressures through a strategic investment program based on massive injections of international credit, has now adopted economic policies which could reduce its vulnerability to external pressures based on international credit.

South Africa's commitment to apartheid, its decision not to exchange its political goals for continued access to longer-term international credits, and the adjustments it is making in its economic policies do not, however, negate its demonstrated need for international credit. International credit is a potential instrument of U.S. Government policy at this time because the 1974–77 economic recession and the 1976–77 political demonstrations in South Africa have reduced its political insularity and its economic vitality. It has therefore made access to international credit an important ingredient in creating the conditions and the confidence which the government needs to support viable solutions to its political and economic difficulties.

INTERNATIONAL CREDIT AND SOUTH AFRICA

(By William N. Raiford, Analyst in Foreign Affairs, Foreign Affairs and National Defense, Congressional Research Service, The Library of Congress, August 12, 1977)

CHAPTER I. INTERNATIONAL CREDIT FLOWS TO SOUTH AFRICA

A. Suppliers: Spread, Depth, and Interacting Relationships

The relationship between international credit suppliers and South Africa is characterized by its spread, depth, and interacting relationships. Spread refers to the number of financial institutions with exposure in South Africa; depth refers to the level of exposure of individual institutions. Interacting relationships refers to both (1) the dual membership of individuals who serve as board members of banks that lend to South Africa and as board members of multinational corporations with direct investments in that country, and (2) the joint interests of private and public United States, European and international creditors with financial commitments to South Africa.

There are three points to be noted about the structure of commitment—spread, depth, interacting relationships—of the multinational banks and official lending institutions and their credit relationships with South Africa.

One, a few major banks in each country—the United States, Canada, Great Britain, Germany, Switzerland, France, Italy and the Benelux countries—play a lead role as managers and investors in making decisions on credit arrangements with South Africa. This gives focus, with respect to decision-making, to what otherwise would be a diffuse pattern of lending decisions.

Two, this structure of commitment creates a significant degree of interdependence, or at least common interest, between the banks and the government-led political economy of South Africa.[1]

Three, these relationships represent a familiar practice in the world of international finance and are in no way unusual or irregular.

1. SPREAD

Many of the largest banks of North America and Europe are South African creditors. The common practice of having numerous underwriters for bond issues and of seeking subscriptions from smaller banks for multimillion dollar bank loans suggests that many more

[1] Government-led has two meanings here. One, the South African economy is becoming increasingly a government economy in the sense that government investment, as a percentage of gross domestic fixed investment, has increased from 35 percent in 1950 and 43 percent in 1970, to 53 percent in 1976; (The first figure is from Houghton, D. Hobart. *The South African Economy*. Capetown, Oxford U. Press. 1976. p. 207. The latter two figures are based on data from the South African Reserve Bank (SARB) Quarterly Bulleton, March 1977. Pretoria: SARB. p. S-75) Two, most publicized credits went to the government sector, suggesting that the relationships described are primarily with the South African government and only secondarily with the private sector.

institutions (some hundreds) in the United States alone have some exposure in South Africa.

Bond issues

Tables 1, 2, and 3 identify the institutions which managed South African Government bonds issued from 1972 through 1976. Forty-six institutions served as managers of these issues. Of these, seventeen, based in seven countries, were among the 20 leading Eurobond managers of internationally syndicated issues in 1976. (See Exhibit I, p. 40) The prospectus of the most recent publicly placed South African Eurobond issue (See Exhibit II, p. 47) demonstrates that, in addition to the major institutions identified in the Tables, numerous other institutions as well have been active in handling South African issues. Ninety-four underwriters, based in fifteen countries, participated. Kidder Peabody International Limited, a wholly owned affiliate of Kidder Peabody and Co. was one of the five lead managers; seven of the ninety-four institutions were U.S. firms; and at least eleven others were U.S. bank branches, subsidiaries of consortia with U.S. bank membership.

Term lending

Table 4 identifies the publicized Eurocurrency credits extended to South Africa from 1974 to 1976. Thirty-five banking groups are listed as lead managers, eight of them U.S. banks. Tables 5 and 7 include six additional firms which have extended term loans to South Africa.

Identification of the lead managers, as in the underwriting of bond issues, gives only a small fraction of the number of institutions which participate in these credit agreements. The practice of seeking subscriptions—agreements by other banks to take a position on a loan—permits smaller banks to participate in Eurocurrency credit agreements. In the U.S. it is estimated that hundreds of smaller banks so participate.[2] Recently eight such banks were cited as deciding to no longer participate in loans to South Africa.[3]

Table 8 lists the 21 largest U.S. banks and their exposure (as a group) in South Africa at end-year 1975. Although many of these banks are not specifically identified as making term loans to South Africa the total exposure in each of these categories is sufficiently large to indicate that most or all of them would have participated.

Table 21, U.S. Export-Import Bank Discount Loans (South Africa) lists 41 U.S. banks which have extended credits to South Africa. Twenty-four of these banks are in addition to those listed in the above categories.

Short-term credits

Table 8 also gives the short-term exposure in South Africa of the 21 largest U.S. banks at end-year 1975. The fact that the $373 million recorded as being loaned from among the 21 largest banks is substantially smaller than the $545 million [4] in total short-term exposure

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[2] These banks are not publicly identified and so are not listed in the tables in this study.

[3] Cooper, Wendy. "Debate on Bank Loans to S. Africa Rekindled." *The Journal of Commerce*. Feb. 11, 1977, p. 1. The banks listed are Central National Bank of Chicago; Wells Fargo, N.A.; Merchants National Bank and Trust, (Indianapolis); Marlyand National Bank; Wachovia Bank and Trust (Winston-Salem); City National Bank (Detroit); First National Bank (Louisville); and First Pennsylvania (Philadelphia).

[4] *Federal Reserve Bulletin*. March 1977. p. A60.

by U.S. banks in South Africa at end-year 1975 further indicates that a much larger number of U.S. banks than those listed in the Tables participate in short-term lending to South Africa.

2. DEPTH

Twenty private financial institutions have participated in six or more of the identified credit agreements with South African entities indicating a sizable exposure in that country on the part of each of these institutions. They are (1) U.S.—Citibank, Manufacturers Hanover Trust, Morgan Guaranty, Kidder Peabody; (b) Germany—Westdeutsche Landesbank Girozentrale, Commerzbank, Dresdner Bank, Deutsche Bank, Berliner Handels and Frankfurter Bank [B-H-F]; (c) England—White Weld Securities, Hill Samuel, Strauss Turnbull and Co., Barclays Bank International Ltd.; (d) France—Credit Commercial de France, Credit Lyonnais; (3) Belgium—Kredietbank, N.V., Bondtrade; (f) Netherlands—Algemene Bank Nederland, N.V.; (g) Luxembourg—Kredietbank Luxemboureoisie, S.A.; (h) Switzerland—Union Bank of Switzerland (see Tables 9 and 10).

In addition to the term-loans identified, the commercial banks in these Tables would typically have also extended short-term credits to South Africa. Table 8, which shows short-term and medium-term exposure of major U.S. banks in South Africa, shows that the category including the U.S. banks listed above had twice as much short-term as long-term exposure in South Africa.

3. INTERACTING RELATIONSHIPS

A cursory view of institutions and their directors indicates a mutuality of interests between the banks and investment banking houses of different nations and also between these credit institutions and their nations' multinational corporations with direct investments in South Africa. Official financial institutions which extend credit add a further dimension to these relationships both in their credit commitments and in this demonstration of support for lending by the private banks.

Directorates

An examination of 15 major U.S. multinational corporations with direct investments in South Africa showed that 23 members of their Boards of Directors also served on the Boards of 11 of the financial institutions identified in the Tables as lenders to South Africa. (See Exhibit IV, p. 55.) Approximately one-half (47 of 90) of the Board members of the four major U.S. banks which lend to South Africa also serve on the Boards of corporations with direct investments in South Africa. (See Exhibit III, p. 42.) This typical pattern of U.S. interconnected corporate leadership would be more pronounced in European countries, particularly Germany and Switzerland, where a closer relationship exists between the major banks and corporations.

Official financial institutions

The International Monetary Fund (IMF) and the trade expansion credit agencies of various nations play an important role in the

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credit relationship with South Africa through direct lending, the insurance and guarantee of credits, subsidizing interest rates and discounting loans.

The International Monetary Fund provided South Africa with credits of $94 million in 1975, $365 million in 1976 and $89 million through mid-1977. These credits represented drawings by South Africa on its credit tranches[5] with the exception of $186 million from the IMF's Compensatory Financing Facility which provides credits at concessional rates for the purpose of strengthening export capability. IMF credits are supplements to, and not a primary source of, international credit. But IMF credit availability can be particularly important to a country, as it has been to South Africa in the last two years. South Africa is eligible for another $267 million line of credit under IMF stand-by arrangements if it chooses to negotiate such an agreement, beginning in the latter half of 1977.

The Export-Import Bank of the United States insures, guarantees and discounts credits which finance U.S. trade with South Africa. The insurance and guarantee programs represents exposure (total exposure as of April 18, 1977 was $205 million) while the discount loan program provides greater liquidity for U.S. commercial banks which have assumed the risk inherent in exposure. Table 21 sets out the discount loan program and identifies those loans which have also been guaranteed or insured. Table 11 sets out the new authorizations for insurance and guarantee programs of the Ex-Im Bank for 1972 through 1976. (The other U.S. Government agency extending credit to South Africa is the U.S. Commodity Credit Corporation. (See Table 12, p. 39).)

European government trade expansion credit agencies such as Great Britain's Export Credits Guarantee Department, Germany's Hermes Kreditversicherungs Aktiengesellschaft and France's COFAC (Compagnie Francaise d''Assurance pour le Commerce Exterieur) provide services similar to those of the Export-Import Bank of the United States.

4. TABLES

Tables 1–6 indicate the extent of South African borrowing over the past five years in the international capital market. Because many banking transactions are confidential and reporting requirements vary from country to country these data should not be assumed to be either complete or comprehensive.[6]

(i) South African Government Borrowers are abbreviated in the Tables as follows:

Abbreviation in table and full name:

- RSA—Republic of South Africa.
- ISCOR—South African Iron and Steel Corporation.
- ESCOM—Electricity Supply Commission.
- SABC—South African Broadcasting Corporation.
- SARH—South African Railways and Harbours Board.
- IDC—Industrial Development Corporation.
- P & T—The Department of Posts and Telegraphs.

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[5] Tranche—a portion of a total credit to be disbursed in a series of payments.

[6] The following quotation from "International Insider," an investor's newsletter dated November 24, 1975 is instructive: "In conditions of strict secrecy South Africa is raising substantial amounts of short-term (up to three years) money, according to informed banking sources. Most of these deals are being provided on a single bank basis."

SOF—Strategic Oil Fund.
SASOL II—South African Coal and Gas Corporation.
J'burg—City of Johannesbeurg.

(ii) The term "Other Nationality" in the Tables refers to institutions which are not U.S. based and are not branches, affiliates, or subsidiaries of U.S. firms. The capital letter which precedes the "Other Nationality" entry refers to the country in which the institution is found, i.e., (S) denotes Switzerland:

(S)—Switzerland.
(G)—Germany.
(F)—France.
(E)—England.
(N)—Netherlands.
(B)—Belgium.
(L)—Luxembourg.
(I)—Italy.
(Ba)—Bahamas.
(C)—Canada.

(iii) Currencies are abbreviated as follows:

$—Dollar or Eurodollar.
SwF—Swiss franc.
DM—Deutsche mark
EMU—European Monetary Unit.
G—Dutch florin
£—British pound.

(iv) The sources for Tables 1 through 6 are found on page 37. Where there are gaps in the Tables the information was not available in the listed sources.

(v) Eurodollars are dollars on deposit in banks outside the United States. Eurocurrency refers to any currency on deposit in banks outside the country of origin. Eurobonds are bonds sold in foreign (one country) and international (more than one country) markets. Eurocredits, as used in this paper, refers to Eurobond and Eurocurrency, including Eurodollar, credits.

(vi) LIBOR is an acronym for the London Interbank Offer Rate which is the rate paid by prime banks in the London interbank market. LIBOR + is the prime rate *plus* the percentage listed in the Table.

TABLE 1.—EUROCREDITS TO SOUTH AFRICAN PUBLIC BORROWERS (1972-73)

Year	Borrower	Amount (in millions)	Interest (Libor+)[1]	Maturity (years)	Managers: (U.S. bank or subsidiary)	Other nationality
(A) Eurocurrency credits (loans):						
1973	SARH	$35	0.75	5.5		(E) Standard & Chartered Banking Group, Ltd.
1973	SARH	DM100		7.0		(G) Berliner Handels- und Frankfurter Bank (B-H-F). (G) Deutsche Girozentrale-Deutsche Kommunalbank Int.
1973	ISCOR	$100	.87 1	2.0 9.5		(E) Morgan Grenfell & Co., Ltd.
1973	ISCOR	$42		10.0	Smith Barney & Co.	(B) Societe Generalle de Banque.
1973	ISCOR	$21		10.0		(F) Banque de l'Indochine.
1973	ISCOR	$100	.75	10.0		(E) Hambros Bank Ltd.
(B) Eurobonds: Private Placement:[2]						
1972	ESCOM	G50	6.5	7.0	Brown Harriman & International Banks Ltd.: Brown Bros. Harriman & Co.—20.26 percent;[3] First National Bank of Minneapolis—10.53 percent; Pittsburgh National Bank—10.52 percent.	(N) H. Albert de Bary & Co. N.V.; Algemene Bank Nederland, N.V.; Amsterdam-Rotterdam Bank, N.V.; Bank Mees & Hope, N.V.; Barclays Kol & Co., N.V.; Nederland Middenstandsbank, N.V.; Nederlands Credietbank, N.V.; Pierson, Heldring & Pierson; F. Van Lanschot. (S) Union Bank of Switzerland.
1972	ISCOR	G50	6.5	7.0	do.	Do.

Year	Issuer	Amount (in millions)	Interest	Maturity (years)	Managers: (U.S. bank or subisidiary)	Other nationality
Eurobonds: Publicly issued:[4]						
1972	ESCOM	SwF50	6.5	15.0		(N) Algemene Bank Nederland N.V.; Amsterdam-Rotterdam Bank N.V.; Bank Mees & Hope N.V.; Pierson, Heldring & Pierson. (E) S. G. Warburg & Co. Ltd. (G) Commerzbank A.G.
1972	RSA	$25	8	15.0	Kidder Peabody Securities Ltd.; the First Boston Corp.	(E) Deltec Trading Co. Ltd.; Strauss Turnbull & Co.; White Weld Securities. (B) Bondtrade. (F) Paribas. (S) Union Bank of Switzerland. (I) Banca Commerciale Italiana. (G) Deutsche Bank A.G.

1972	RSA	$25	7.75	15.0	Kidder Peabody; Securities Ltd.; the First Boston Corp.	(E) Deltec Trading Co. Ltd.; Strauss Turnbull & Co.; White Weld Securities. (B) Bondtrade. (F) Paribas. (S) Union Banl of Switzerland. (I) Banca Commerciale Italiana. (G) Deutsche Bank A.G. (L) Kredietbank S.A. Luxembourgeoisie.
1972	ISCOR	100DM	7	15.0		(G) Commerzbank A.G.; Westdeutsche Landesbank Girozentrale. (N) Algemener Bank Nederland N.V. (I) Banca Nazionale del Lavoro. (F) Credit Commercial de France. (L) Kredietbank S.A. Luxembourgeoise.
1972	ESCOM	100DM	6.25	15.0		(G) Commerzbank A.G.; Dresdner Bank A.G. (L) Kredietbank S.A. Luxembourgeoise. (F) Credit Commercial de France.
1972	J'Burg	DM100	6.25	15.0	Western American Bank Ltd.; Security Pacific National Bank—22.5 percent; Wells Fargo Bank—22.5 percent; National Bank of Detroit—22.5 percent.	(G) Deutsche Bank A.G.; Dresdner Bank A.G.; Berliner-Handels-und Frankfurter Bank (B-H-F). (F) Credit Commercial de France. (E) White Weld Securities.
1972	RSA	DM100	7	15.0		(G) Deutsche Bank A.G. (I) Banca Commerciale Italiana. (F) Paribas. (S) Union Bank of Switzerland.
1973	P&T	SWF50	6.5	15.0		
1973	ISCOR	DM100	7	15.0		(G) Commerzbank; Westdeutsche Landesbank Girozentrale. (I) Banca Nazionale del Lavoro. (N) Algemene Bank. (L) Kredietbank S.A. (F) Credit Commercial.
1973	ESCOM	DM100	7	15.0		(G) Commerzbank; Dresdner Bank. (F) Credit Commercial. (B) Kredietbank N.V. (E) Union Bank of Switzerland Ltd.
1973	SARH	DM100	7.5	15.0		(G) Commerzbank; Westdeutsche Landesbank Girozentrale B-H-F. (I) Banca di Roma. (S) Union Bank of Switzerland. (F) Societe Generale Credit Lyonnais. (L) Kredietbank S.A. (E) Hill Samuel.
1973	ISCOR	DM100	8.5	15.0		(G) Commerzbank; Westdeutsche Landesbank Girozentrale. (N) Algemene Bank. (L) Kredietbank S.A. (F) Credit Lyonnais. (I) Lavoro Bank Finance Co.
1973	RSA	$25	7.25	15.0	The First Boston Corp.	(G) Deutsche Bank. (F) Paribas. (I) Banca Commerciale. (E) Union Bank of Switzerland Ltd.

[1] LIBOR is an acronym for the London Interbank Offer Rate which is the rate paid by prime banks in the London interbank market. LIBOR+ is the prime rate plus the percentage listed in the table.

[2] Private placement—sold by direct arrangement between underwriters and purchasers. There is no legal requirement to report the sale of privately placed bonds in some markets.

[3] Percentages refer to percentage of ownership in the corporation.

[4] Public issue—sold to the public and registered publicly.

Sources for tables 1–6 are found on p. 41. See pp. 20–21 for other information on these tables.

TABLE 2.—PUBLICLY ISSUED SOUTH AFRICAN GOVERNMENT AND PUBLIC CORPORATION BONDS IN FOREIGN AND INTERNATIONAL MARKETS (1974–76)

Year	Issuer	Amount	Interest	Maturity (years)	Managers: (U.S. bank or subsidiary)	Other nationality
1974	ESCOM	$35	[1] 8.5	8	Citicorp International Ltd.; Manufacturers Hanover Ltd.; Kidder Peabody International Ltd.	(E) Barclays International; European Banking Co.; London Multinational Bank (Chemical Bank & Chicago Northern participants). (G) Dresdner Bank.
1974	ESCOM	$15	9.5	15	Kidder Peabody International Ltd.; Kidder Peabody Securities Ltd.	(E) White Weld Securities; Strauss Turbnull; Deltec. (B) Bondtrade.
1974	ESCOM	$25	10	5	Kidder Peabody International Ltd.; Kidder Peabody Securities Ltd.	(L) Kredietbank S.A.; (B) Bondtrade; Kredietbank N.V. (E) Strauss Turnbull; White Weld Securities; Credit Suisse White Weld Ltd. (F) Credit Commercial; Credit Lyonnais; Societe Generale. (G) Commerzbank; Dresdner Bank. (N) Algemene Bank.
1975	SARH	DM70	9.25	5		(G) Commerzbank; Deutsche Bank; Berliner-Handels-und Frankfurter Bank (B–H–F). (L) Kredietbank S.A. (S) Union Bank of Switzerland. (E) Hill Samuel. (F) Credit Lyonnais; Societe Generale. (I) Banca di Roma.
1975	ESCOM	DM100	9.25	5		(G) Commerzbank; Dresdner Bank. (F) Credit Commercial. (L) Kredietbank S.A. (Ba) Swiss Banking Corp. (Overseas) Ltd.
1975	ISCOR	$25	10	5		(L) Kredietbank S.A. (B) Bondtrade; Kredietbank N.V. (F) Societe Generale. (E) Strauss Turnbull; Hill Samuel; Williams & Glyn; White Weld S3curities. (Ba) Swiss Banking Corp. (Overseas) Ltd. (S) Union Bank of Switzerland. (F) Credit Commercial. (G) Commerzbank; Westdeutsche Landesbank Girozentrale; Berliner-Handels-und Frandfurter Bank (B–H–F). (N) Algemene Bank.
1975	ESCOM	$30	10.25	8	Kidder Peabody & Co., Inc.; Kidder Peabody Securities Ltd.; Citicorp International Bank Ltd.	(B) Bondtrade; Kredietbank N.V. (L) Kredietbank S.V. (E) Deltec Trading Co.; European Banking Co. Ltd.; Strauss Turnbull; White Weld Securities.
1975	ISCOR	EMU-30	9.25	5		Westdeutsche Landesbank Girozentrale.
1976	RSA	$25	10.28	5	Kidder Peabody Securities Ltd.	(F) Paribas. (B) Bondtrade; Kredietbank N.V. (L) Kredietbank S.A. (E) Deltec Trading Co.; Strauss Turnbull; White Weld Securities.

[1] Minimum.

TABLE 3.—PRIVATELY PLACED SOUTH AFRICAN GOVERNMENT AND PUBLIC CORPORATION BONDS IN FOREIGN AND INTERNATIONAL MARKETS (1974-76)

Year	Issuer	Amount	Interest	Maturity	Managers: (U.S. bank or subsidiary)	Other nationality
1974	ESCOM	SwF50	7.25	5		
1975	ISCDR	SwF50	8.75	4		
1975	IDC	SwF30	8.62	5		
1975	ESCOM	SwF50	9	5		
1975	ESCOM	SwF50	8.5	3		
1975	ESCOM	SwF50	8.5	3		
1975	ESCOM	$30	[1] 8.5	15	Manufacturers Hanover Ltd	
1975	ISCDR	$50	[1] 8.5	5	Manufacturers Hanover Ltd.; Citicorp International Bank Ltd.	
1975	SARH	DM30	9.25	5	European-American Banking Corp	
1975	SAA	DM70	9	5		(S) Union Bank of Switzerland.
1976	ESCOM	SwF50	7.75	4		
1976	ESCOM	SwF20				(E) Nordic.
1976	ISCOR	SwF50	8.75	4		(S) Union Bank of Switzerland.
1976	IDC	SwF30	7.12	3		

[1] Minimum.

TABLE 4.—IDENTIFIED EUROCURRENCY CREDITS TO SOUTH AFRICAN PUBLIC BORROWERS (1974-76)

Year	Borrower	Amount	Interest (LIBOR+)	Maturity (years)	Managers: (U.S. bank or subsidiary)	Other nationality
1974	RSA	$110	0.87	5.0	Smith Barney & Co	(F) Banque de l'Indochine. (G) Dresdner Bank, A.G. (E) Union Acceptances, Ltd.
1974	RSA	$100	.75	7.0		(E) Standard & Chartered Banking Group, Ltd.
1974	RSA	$35	.62	3.0		(F) Credit Lyonnais.
1974	SARH	DM140	.75	7.0		(G) Berliner-Handles-und Frankfurter Bank (B-H-F).
1974	ISCOR	$21		10.0		(F) Banque de l'Indochine. (F) Credit Commercial de France. (F) Credit Lyonnais. (F) Banque de l'Union Europeenne. (F) Banque Francaise de Commerce Exterieur.
1974	ISCOR	$65	1.25	5.0		(G) Westdeutsche Landesbank Gironzentrale. (F) Credit Commercial de France.
1974	ISCOR	$13		8.0		(E) Hill Samuel (South Africa), Ltd.
1974	ISCDR	$100	1.75	10.0	Citicorp International Bank, Ltd	(E) Hambros Bank Ltd. (C) Canadian Imperial Bank of Commerce.

TABLE 4.—IDENTIFIED EUROCURRANCY CREDIT TO SOUTH AFRICAN PUBLIC BORROWE4S (1974-76)—Continued

Year	Issuer	Amount	Interest	Maturity (years)	Managers: (U.S. bank or subsidiary)	Other nationality
1974	ISCOR	$50	.75	10.0		(F) Credit Commercial de France.
1974	ESCOM	$25	1.25	5.0		(L) Kredietbank, S.A. Luxembourgeoise. (F) Credit Commercial de France.
1974	SABC	$20	.75	10.0		(I) Banca di Roma. (G) Commerzbank, A.G. (F) Credit Lyonnais.
1975	RSA	$100	1.5	3.0	Manufacturers Hanover, Ltd	
1975	SARH	$30	1.75	5.0	European American Bank	
1975	SARH	%50	1.75	10.0	Smith Barney & Co	(E) Union Acceptances, Ltd.[1]
1975	ISCOR	$21	1.5	3.0		(F) Credit Commercial de France. (L) Kredietbank S.A. Luxembourgeoise.
1975	ISCOR	$100	1.75	5.0		(G) Westdeutsche Landesbank Girozentrale. (B) Kredietbank N.V. (C) Canadian Imperial Bank of Commerce.
1975	ISCOR	$25	1.75	5.0		(E) Hambros Bank Ltd.
1975	ISCOR	$25	1.5	5.0		(G) Bayerische Vereinsbank International S.A.
1975	IDC	$10			Citicorp International Bank Ltd	(E) Barclays Bank International Ltd.
1975	IDC	$45		5.0		Do.
1976	RSA	$110	1.75	5.0	Citibank N.A.; Morgan Guaranty Trust Co.; First National Bank of Chicago.	(G) Deutsche Bank A.G. (E) Credit Suisse White Weld.
1976	SARH	$75	1.75	5.0	Morgan Guaranty Trust Co.; Crocker National Bank	(G) Deutsche Bank A.G. (E) European Banking Co. Ltd. (G) Commerzbank A.G. (I) Banca di Roma. (B) Banque Europeenne de Credit S.A.
1976	ISCOR	$80	1.75	5.0	Chase Manhattan Bank N.A.; Citicorp International Bank Ltd.	(G) Westdeutsche Landesbank Girozentrale. (F) Credit Commercial de France. (E) Orion Bank Lts. (Chase Manhattan Overseas Banking Corp. owns 20 percent).
1976	ESCOM	$200	1.75	5.0	Chase Manhattan Ltd.; Citicorp. International Bank Ltd.; Manufacturers Hanover Ltd.; Morgan Guaranty Trust Co.	(E) Barclays Bank International Ltd.
1976	ESCOM	$80	1.75	5.0		(F) Credit Lyonnais. (F) Banque de l'Union Europeenene.
1976	SOF	DM71	[2] 9.25	3.5		(G) Dresdner Bank A.G. (G) Commerzbank A.G. (G) Westdeutsche Landesbank. (G) Deutsche Bank.

[1] Union Acceptances Ltd. is part of the Nedbank Group of South Africa with a representative office in London.

[2] Fixed rate.

TABLE 5.—OTHER CREDITS TO SOUTH AFRICAN PUBLIC BORROWERS (1976)[1]

Borrower	Amount	Interest	Maturity	Managers: (U.S. bank or subsidiary)	Other nationality
RSA	$135	8	8		(E) Hill Samuel (subsidized by Export Credit Guarantee Department of Great Britain).
SARH	SwF40	8.25	3		(S) Union Bank of Switzerland.
SARH	DM100		2		(G) Deutsche Bank.
SARH	$99	9.25	10		(E) European Banking Corp.
SARH	L30	7.5	5		(E) Hill Samuel.
SARH	DM150		2		(G) Deutsche Bank.
SARH	$99	8	10		(G) Dresdner Bank A.G. (F) Credit Lyonnais.
ESCOM	L60	7	8		(E) Hill Samuel (guaranteed by Export Credit Guarantee Department of Great Britain).
ISCOR	$80	1.75	5	Chase Manhattan Ltd.; Citicorp International Bank Ltd.	(F) Credit Commercial de France. (B) Kredietbank N.V. (G) Westdeutsche Landesbank Girozentrale. (E) Orion Bank Ltd. (Chase Manhattan Overseas Banking Corp. owns 20 percent).
Richards Bay	$138	2	2	Citibank, N.A.	
		2.12	4		
IDC	$25		5	Chase Manhattan, N.A. (guaranteed by the U.S. Export-Import Bank).	
FOSKOR	$30			Manufacturers Hanover	
XHosa Development Corp	$12	1.5	3	Dow Holding Co.	(E) Hill Samuel.
SABC	$20	1.75	5	Citibank, N.A.	
J'burg	$7	1.5	5		(E) Barclays Bank International Ltd.
SASOL II	L15	1.5	8		(E) Hill Samuel.

[1] These credits were not specifically identified as publicly issued or privately placed bonds or Eurocurrency credits. Most, if not all, however, would fall into these categories. The interest rates of 1.5 to 2.12 are almost certainly LIBOR+ the rate listed.

TABLE 6.—CREDITS TO SOUTH AFRICAN PRIVATE CORPORATIONS, 1974–76

Year	Borrower	Amount	Interest (LIBOR+)	Maturity	Managers: U.S. bank or subsidiary	Other nationality
1974	SA Breweries	$22 $24		7.5 2.0		
1974	General Mining and Finance	$85	1.75	5.0	Manufacturers Hanover Ltd	(E) Morgan Grenfell & Co. Ltd.
1974	SA Marine Corp	$20		7.0	do	
1975	Triomf Fertiliser	$30	2	5.0		(E) Wardley Ltd. (E) Anthony Gibbs Holding Co. Ltd.
1975	J'burg Consolidated Investments	$37	1.5	5.0	Citicorp International Bank Ltd	
1975	AE and CI	$60		5.0	Manufacturers Hanover Ltd	(E) Barclays Bank International Ltd.
1975	Anglo-Alpha Cement	$10			Citicorp International Bank Ltd	(F) Banque Worms.
1975	Associated Buildings	$4.5	1.75	5.0		(E) Morgan Grenfell & Co. Ltd.
1976	SA Breweries	$30	1.87	3.0		(E) Baring Brothers. (E) London Multinational Bank (Chemical Bank & Northern Trust of Chicago are members).
1976	Macdem	$7		5.0		
1976	Anglo-American	$100	1.5			(E) Baring Bros.
1976	Rand Mines	$15		6.0	Morgan Guaranty Trust Co	

Tables 1(B and C), 2 and 3 adapted from the following sources:

"Publicly Issued Foreign and International Bonds, by County of Issuer", (Volumes for 1972, 1973, 1974, 1975.) International Bank for Reconstruction and Development, International Finance Division.

"Borrowing in International Capital Markets," (Volumes for 1st, 2nd 3rd and 4th Quarters, 1976) World Bank Documents EC-181-761, EC-181-762, EC-181-763, EC-181-764) International Bank For Reconstruction and Development, International Financial Division.

"Privately Placed Foreign and International Bonds by Country of Issuer", (Volumes for 1972, 1973, 1974, 1975.) International Bank for Reconstruction and Development, International Finance Division.

"Emprunts Internationaux Au Cours du Premier Trimestre", 1972 (And for Deuxieme Troiseme, Quatrieme Trimestres, 1972; and for 1973, 1974, 1975 and 1976). Federation Bancaire de la Communaute Economique Europeenne: Secretariat MC.

"International DM Bonds." Deutsche Bank Aktiengesellschaft. Frankfurt. Oct. 1976

"The International Bond Guide, 1976 Year End Prices". White Weld Securities. London: December 1976.

Tables 1(A), 4, 5 and 6 (International Credit)adapted from the following sources:

"Borrowing in International Capital Markets: Publicized Eurocurrency Credits 1973-75." World Bank Document EC-181 Supplement. 1976 International Bank for Reconstruction and Development. International Finance Division.

"Borrowing in International Capital Markets: Foreign and International Bond Issues and Publicized Eurocurrency Credits." (1st Quarter 1975 through 4th Quarter 1976). World Bank Document EC-181-751. International Finance Division, International Bank for Reconstruction and Development.

"Role of Recent Loans in Strengthening the Apartheid Regime in South Africa." United Nations General Assembly Document A/AC. 115/L.448. Special Committee on Apartheid, Nov. 10, 1976.

Newspapers:

Financial Mail, Jonannesburg. July 2, 1976 and Nov. 12,1976.

South African Digest, Pretoria. Oct. 15, 1976.

Financial Times, London. Dec. 3, 1976.

TABLE 7.—IDENTIFIED CREDITS TO SOUTH AFRICA 1974-76

[In millions of U.S. dollars]

	1974	1975	1976	1974-76
Bonds:				
Publicly issued to public borrowers	50	185	25	260
Private placements to public borrowers	20	212	59	291
Total, bonds identified	70	397	84	551
Eurocredits to public borrowers	598	406	576	1,580
Other credits to public borrowers			946	946
Eurocredits to private borrowers	151	141	152	444
Total, bank lending identified	749	547	1,674	2,970
Total	819	944	1,758	3,521

Source: Compiled from credit commitments identified by author in tables 1-6. Conversion into dollars was done at March 1977 rate which would be amount of foreign exchange required as of that date. Currency units were converted at 0.5821 British pounds, 1.227 European monetary units, 2.3885 deutsche marks, 2.5400 Swiss francs and 2.4900 Dutch florins to the dollar.

TABLE 8.—LARGEST U.S. BANKS, 1975 LENDING TO SOUTH AFRICA, IDENTITY OF BANKS INCLUDED IN EACH AGGREGATION

[In millions of U.S. dollars]

	Total	Short term	Medium
Group I—6 largest banks: Bank of America, Citibank, Chase Manhattan, Manufacturers Hanover, Morgan Guaranty, Chemical Bank	349	265	129
Group II—2d largest 6 banks: Continental Illinois, Bankers Trust, First National Bank of Chicago, Security Pacific, Wells Fargo, Crocker	175	82	93
Group III—3d largest 9 banks: Irving Trust, Mellon Bank, United California Bank, First National Bank of Boston, National Bank of Detroit, Marine Midland, New York, Republic National Bank of Dallas, First National Bank of Dallas, European American Bank & Trust	151	26	125
Total	720	373	347

Adapted from: U.S. Congress, Senate, Committee on Foreign Relations, Multinational Corporations and United States Foreign Policy, pt. 15, 94th Cong., 1st sess. Washington, U.S. Government Printing Office 1976, pp. 128, 129, 130, 133.

TABLE 9.—U.S. FINANCIAL INSTITUTIONS WITH MAJOR COMMITMENTS TO SOUTH AFRICA [1]

Bank and borrower	Year	Amount (million U.S. dollars)	Maturity	Years remaining
Citibank:				
ISCOR	1974	100	10	7
ISCOR	1975	50	15	13
Johannesburg Consolidated Investment	1975	37	5	3
IDC	1975	10		
ESCOM	1975	30	8	6
ESCOM	1976	200	5	4
ISCOR	1976	80	5	4
SABC	1976	20	5	4
RSA	1976	110	5	4
Richards Bay	1976	130	5	4
Manufacturers Hanover:				
General Mining & Finance	1974	85	5	2
SA Marine Corp	1974	20	7	4
ESCOM	1975	35	8	5
ESCOM	1975	40	15	15
ISCOR	1975	30	8	6
ESCOM	1976	200	5	4
FOSKOR	1976	30		
Morgan Guaranty:				
ESCOM	1975	30	8	6
SAKH	1975	75	5	3
SARH	1976	75	5	4
ESCOM	1976	200	5	4
RSA	1976	110	6	5
Rand Mines	1976	15	6	5
Chase Manhattan:				
ESCOM	1976	200	5	4
ESCOM	1976	80	5	4
ISCOR	1976	80	5	4
RSA	1976	25	15	4
Kidder Peabody:				
RSA	1972	25	5	11
RSA	1972	25	15	11
RSA	1972	25	15	11
Anglo-American	1974	50	5	0
ESCOM	1974	15	15	12
ESCOM	1974	35	15	12
ESCOM	1975	30	8	6
ESCOM	1975	25	5	3
RSA	1976	25	5	4

[1] This table represents participation, not current exposure. Typically, these institutions might take a position on approximately 10 percent of the total local commitment .At end-year 1976 the 4 commercial banks listed had $55,000,000,000 in international credits outstanding. ("Less-Developed Countries Pose Question for Regulators," New York Times. May 17, 1977, sec. 3, p. 1). Using the 10-percent criteria, the exposure of these banks in South Africa would represent less than 6 percent of their outstanding international commitments.

TABLE 10.—FOREIGN FINANCIAL INSTITUTIONS WITH MAJOR COMMITMENTS TO SOUTH AFRICA

Country and institution	Number of commitments in which institution is a participant	Value of total credit in which participant (million U.S. dollars) [1]
Germany:		
Westdeutsche Landesbank Girozentrale	11	584
Commerzbank A.G.	14	517
Dresdner Bank A.G.	9	466
Deutsche Bank	11	507
Berliner Handels-und Frankfurter Bank (B-H-F)	6	239
England:		
White Weld Securities	10	347
Hill Samuel	9	317
Strauss Trunbull & Co.	7	170
Deltec Trading Co., Ltd.	5	120
Barclays Bank International, Ltd.	6	357
France:		
Credit Commercial de France	15	643
Credit Lyonnais	9	413
Paribas	5	142
Societe Generale	4	121
Italy:		
Banca Commerciale Italiana	4	117
Banco de Roma	4	166
Belgium:		
Kredietbank N.V.	7	327
Bondtrade	7	170
Netherlands: Algemene Bank Nederland N.V.	8	227
Luxembourg: Kredietbank Luxembourgeoisie S.A.	14	457
Switzerland: Union Bank of Switzerland	13	349

[1] The actual participation of each bank would probably be approximately 10 percent of the total credit identified. Thus, Westdeutsche Landesbank participted in $584,000,000 in identified credits with their portion likely being approximately 10 percent or $58,000,000. See footnote, p.43.

Source: Tables 1 to 6.

TABLE 11.—NEW AUTHORIZATIONS BY THE EXPORT-IMPORT BANK OF THE UNITED STATES FOR INSURANCE AND GUARANTEES FOR EXPORTS TO SOUTH AFRICA

	Insurance	Guarantees	Total
Fiscal year:			
1972	38.2	105.1	143.3
1973	40.5	40.2	80.7
1974	60.5	39.2	99.7
1975	82.4	79.6	162.0
1976	141.7	63.7	205.4

Source: See source, table 12.

TABLE 12.—COMMODITY CREDIT CORPORATION: COMMODITIES FINANCED FOR EXPORT TO SOUTH AFRICA

	Total program	South Africa
Fiscal year:		
1972	371.6	9.7
1973	1,028.5	10.6
1974	297.6	2.5
1975	248.6	11.2
1976 (June 10)	554.0	12.2

Source: U.S. Congress, House, Committee on International Relations, Resource development in South Africa and United States policy, hearings, 94th Cong., 2d sess., Washington, U.S. Government Printing Office, 1976, pp. 383 (table 11) and 384 (table 12).

EXHIBIT I.—EUROBONDS: LEADING MANAGERS OF INTERNATIONALLY SYNDICATED EUROBOND ISSUES [1] IN 1976

Manager	Total (in U.S. million equivalent)	Number of issues	Number of issues as lead managers
1. Credit Suisse White Weld	$5,882.99	107	18
2. Union Bank of Switzerland	5,506.03	102	6
3. Swiss Bank Corp	5,424.53	100	2
4. Deutsche Bank	4,781.66	85	26
5. Westdeutsche Landesbank Girozentrale	3,237.34	72	16
6. Kredietbank Luxembourgeoise	3,031.03	71	3
7. Amsterdam-Rotterdam Bank	2,983.92	46	8
8. Banque de Paris et des Pays-Bas	2,885.49	49	6
9. Commerzbank	2,736.35	52	8
10. S. G. Warburg	2,583.99	48	19
11. Dresdner Bank	2,163.92	53	11
12. Societe Generale de Banque	1,943.18	50	1
13. Societe Generale	1,942.08	30	4
14. Banque Nationale de Paris	1,828.14	35	4
15. Morgan Stanley International	1,598.51	34	22
16. Wood Gundy	1,557.10	36	13
17. Credit Lyonnais	1,504.23	33	1
18. Algemene Bank	1,467.22	31	6
19. Kidder, Peabody International	1,261.34	20	7
20. Banca Commerciale Italiana	1,188.69	17	----------

[1] Includes only those issues for which a 2-way secondary market is maintained.

Source: Adapted from Credit Suisse White Weld, Ltd., Dec. 31, 1976.

Exhibit II: Republic of South Africa, $25,000,000 Bond Issue

The sale of the Bonds was underwritten by the following financial institutions (the "Underwriters"):

Banque de Paris et des Pays-Bas.
Deutsche Bank-Aktiengesellschaft.
Union Bank of Switzerland (Securities) Limited.
Kidder Peabody International Limited.
Kredietbank S.A. Luxembourgeoise.

Austria:
Creditanstalt-Bankverein.
Girozentrale und Bank der osterreichischen Sparkassen AG.

Bahamas: Swiss Bank Corporation (Overseas) Limited.

Belguim:
Banque Bruxelles Lambert S.A.
Banque de Paris et des Pay-Bas Belgique S.A.
Continental Bank S.A.
Dewaay & Associes International S.C.S.
Kredietbank N.V.
Peterbroeck, Van Gampenhout Securities S.A.

Bermuda: Blyth Eastman Dillon & Co. International Limited.

Canada:
A. E. Ames & Co. Limited.
Dominion Securities Corporation Harris & Partners Limited.
Greenshields Incorporated.
McLeod, Young, Weir & Company Ltd.
Nesbitt, Thomson Ltd.
Richardson Securiteis of Canada.
Wood Gundy Ltd.

France:
Banque Francaise du Commerce Exterieur.
Banque Francaise de Depots et de Titres (B.F.D.T.)
Banque de l'Indochine et de Suez.
Banque Nationale de Paris.
Banque de Neuflize, Schlumberger, Mallet.
Banque Rothschild.
Banque Worms.
Credit Commercial de France.
Credit Industriel et Commercial.
Credit Lyonnais.
Credit du Nord et Union Parisienne.
Finacor.

France—Continued
- Lazard Freres et Cie.
- Morgan Stanley International.
- Societe Generale.
- Societe Sequanaise de Banque.

Germany:
- Bankhaus Friedrich Simon KG.
- Berliner Handels-und Frankfurter Bank.
- Commerzbank Aktiengesellchaft.
- Deutsche Girozentrale-Deutsche Kommunalbank.
- Dresdner Bank Aktiengesellschaft.
- Effectenbank-Warburg Aktiengesellschaft.
- Norddeutsche Landesbank Girozentrale.
- Vereins-und Westbank Aktiengesellschaft.
- Westdeutsche Landesbank Girozentrale.

Italy:
- Banca Nazionale del Lavoro.
- Compagnia Finanziaria Intermobiliare S.p.A.
- Gefina.
- Istituto Bancario San Paolo di Torino.
- Societa Finanziaria Assicurativa (SOFIAS) RAS Group.

Luxembourg:
- Banque Internationale a Luxembourg S.A.
- Banque de Paris et des Pay-Bas pour le Grand-Duche de Luxembourg S.A.
- Banque Populaire Suisse S.A. Luxembourg.
- Compagnie de Banque et d'Investissements (Underwriters) S.A.
- Credit Industriel d'Alsace et de Lorraine.

Netherlands:
- Algemene Bank Nederland N.V.
- H. Albert de Bary & Co. N.V.
- Pierson, Heldering & Pierson N.V.

New Hebrides: Bank Gutzwiller, Kurz, Bungener (Overseas) Ltd.

South Africa: Union Acceptances Ltd.

Switzerland: J. Vontobel & Co.

United States of America:
- Lazard Freres & Co.
- Lehman Brothers Inc.
- Loeb, Rhoades & Co.
- Paine, Webber, Jackson & Curtis International S.A.
- Smith, Barney & Co. Inc.
- UBS–DB Corp.
- Dean Witter & Co. Inc.

United Kingdom:
- Bankers Trust International Ltd.
- Baring Brothers & Co., Ltd.
- Cazenove & Co.
- Citicorp International Bank Ltd.
- Credit Suisse White Weld Ltd.
- Dillon, Read Overseas Corp.
- European Banking Company Ltd.
- First Boston (Europe) Ltd.
- Robert Fleming & Co. Ltd.
- Goldman Sachs International Corp.
- Hill Samuel & Co. Ltd.
- Kleinwort, Benson Ltd.
- Lazard Brothers & Co. Ltd.
- Manufacturers Hanover Ltd.
- Morgan Grenfell & Co. Ltd.
- Orion Bank Ltd.
- N.M. Rothschild & Sons Ltd.
- Samuel Montagu & Co. Ltd.
- J. Henry Schroder Wagg & Co. Ltd.
- Strauss, Turnbull & Co.
- Sumitomo White Weld Ltd.
- Tradition Securities Ltd.
- S.G. Warburg & Co. Ltd.

Others: Merrill Lynch International & Co.

Source: Republic of South Africa Bond Prospectus, January 1976.

Exhibit III

Boards of directors of major U.S. bank lenders to South Africa whose members also serve on boards of directors of corporations with direct investments in South Africa

Multinational bank and member	*Corporation of which also a board member*
Chase Manhattan Bank, North America:	
Butcher, Willard C	Firestone Tire & Rubber Co.
Conor, John T	Allied Chemical Corp.; General Motors Corp.
Dilworth, J. Richardson	Chrysler Corp.
Furland, Richard M	Squibb Corp.; Olin Corp.; American Express Co.
Jamieson, J. K	Exxon Corp.
Lazarus, Ralph	General Electric Co.
Lilley, Robert D	A.T. & T.
Myers, Charles F	U.S. Steel Corp.; Burlington Industries, Inc.
Pratt, Edmund T., Jr	Pfizer, Inc.
Smith, J. Henry	Colgate-Palmolive.
Stone, Whitney	American Express Co.
Citibank, North America:	
Palmer, Edward L	Borg Warner Corp.; Del Monte Corp.; Corning Glass Works; Phelps Dodge Corp.
Costanzo, G. A	Owens-Illinois Co.; National Cash Register.
Spencer, William	Phillips Petroleum Corp.
deButts, John D	United States Steel Corp.
Garvin, C. C., Jr	Exxon Corp.
Grace, J. Peter	Ingersoll-Rand Co.; Kennecott Copper Corp.; Deering Milliken, Inc.; W. B. Grace & Co.
Gray, Harry Jack	Aetna Life & Casualty.
Hatfield, Robert S	Kennecott Copper Corp.
Haynes, H. J	Standard Oil of California.
Houghton, Amory	Corning Glass Works.
Milliken, Roger	Westinghouse Electric Corp.
Pigott, Charles M	Standard Oil of California.
Rees, William	Chubb Corp.
Smith, Darwin	Kimberly-Clark Corp.
Manufacturers Hanover Trust Co.:	
William O. Beers	American Airlines; U.S. Steel.
Gabriel Hauge	Chrysler; Amax, Inc.
Henry H. Henley	American Express; General Electric.
W. Barron Hilton	Hilton Hotels.
William Lindholm	Pepsico.
J. Paul Lyet	Sperry Rand.
John F. McGillicuddy	Westinghouse.
George B. Munroe	Johns-Manville; Phelps Dodge.
Robert W. Sarnoff	RCA.
F. Perry Wilson	Union Carbide.
George Zipf	Champion Spark Plug.

Multinational bank and member	*Corporation of which also a board member*
Morgan Guaranty Trust Co. of New York:	
Ellmore C. Patterson	Standard Brands.
Walter H. Page	Kennecott Copper; Merck & Co.
J. Paul Austin	Coca-Cola Export; General Electric.
R. Manning Brown, Jr	Union Carbide.
Carter L. Burgess	Ford Motor Corp.; IBM Corp.
Charles D. Dickey	General Electric.
Walter A. Fallon	Eastman Kodak.
Howard J. Morgens	General Motors.
John P. Schroeder	Phelps Dodge; Johns-Manville.
Donald Procknow	Ingersoll-Rand.
George P. Schultz	Bechtel.

Sources: Standard & Poor's Register of Corporations, Directors, and Executives, 1977; New York, 1977; American Firms, Subsidiaries and Affiliates—South Africa (prepared by American Consulate General. Johannesburg, South Africa, May 1976); Rogers, Barbara. "White Wealth and Black Poverty," 1976, pp. 126, 289-96; Seidman, Ann and Neva. U.S. Business Interests in South Africa, unpublished paper.

Exhibit IV

Major U.S. corporations with investments in South Africa whose board members also sit on the boards of major U.S. banks which lend to South Africa

Corporation and members	*Bank of which also a board member*
Caterpillar:	
Lee L. Morgan	First National Bank of Chicago.
William Blackie	Lehman Bros. (partner).
Rawliegh Warner, Jr	American Express International Banking Corp.; Chemical Bank.
Chrysler Corp.:	
W. R. Hewlett	Chase Manhattan Bank.
Gabriel Hague	Manufacturers Hanover Trust Co.
Engelhard: Milton Rosenthal	European-American Bank & Trust Co.
Firestone: Willard C. Butcher	Chase Manhattan Bank.
Ford Motor Co.:	
Carter L. Burgess	Morgan Guaranty Trust Co.
Robert Delman	Citibank.
General Electric:	
J. P. Austin	Morgan Guaranty Trust Co.
C. D. Dickey, Jr	Do.
H. H. Henley, Jr	Manufacturers Hanover Trust Co.
W. B. Wriston	Citibank.
General Motors Corp.: Jonh T. Connor	Chase Manhattan Bank.
Goodyear: Reuben F. Mettler	Bank of America.
IBM:	
Frank T. Cary	Morgan Guaranty Trust Co.
A. L. Williams	Citibank.
Gulf Oil Corp.: James H. Higgins	Mellon Bank; First Boston (Europe) Ltd.
Minnesota Mining & Manufacturing:	
J. H. Binger	Chase Manhattan Bank.
Mobil Oil Corp.: A. L. Williams	Citibank.
Standard Oil of California: Harold J. Haynes	Do.
Texaco: Robert Roosa	Brown Bros.; Harriman & Co. (partner); American Express International Banking Corp.
Union Carbide: R. M. Brown	Morgan Guaranty Trust.

Sources: Standard & Poor's Register of Corporations, Directors and Executives, 1977; New York, 1977. American Firms, Subsidiaries and Affiliates-South Africa (prepared by American Consulate General Johannesburg, South Africa, May 1976); Rogers, Barbara. "White Wealth and Black Poverty," 1976, pp. 126 89-96; Seidman, Ann and Neva. U.S. Business Interests in South Africa, unpublished paper.

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B. Capital Flows

1. DIMENSIONS

International credits held by South Africa at the end of 1976 were at least $9 billion dollars. $7.6 billion was in private international bank loans,[7] $459 million represented drawings from the IMF, and there was an estimated minimum of $1 billion indebtedness on bond issues.[8]

International credit suppliers' claims on South Africa at the end of 1976 represented approximately one percent of their worldwide claims. International bank claims on South Africa at the end of 1976 of $7 billion represented 1.3 percent of the $550 billion in total bank claims reported to the BIS and for international settlements (See footnote, p. 20). The South African Government has tapped a larger percentage of the Eurodollar markets resources having received $1.6 billion, or 3 percent, of the $51 billion in publicized Eurocurrency credits extended during 1974–76.[9] South Africa sold $260 million of the $29.6 billion in Eurobond public issues, or one-tenth of one percent, during the same period.[10] The $459 million draw on IMF credits represented 3 percent of the $14.3 billion in worldwide drawings on IMF facilities at the end of 1976.

The United States private banks held $2.2 billion of the $7.6 billion in outstanding bank claims on South Africa at end-year 1976. This $2.2 billion represented one percent of the $207.3 billion in liabilities owed by foreigners to U.S. Banks at that time.[11] In recent years the United States has supplied nearly one-third of South Africa's bank credits with Europe funding most of the remaining two-thirds. There has been a trend towards the U.S. assuming a greater percentage of this credit relationship in recent years.[12]

2. TRENDS

South African borrowing was sharply up in the 1974–76 years international credit as a portion of total foreign investment more than doubled during the same period, and there was a trend towards shorter-term maturities and higher interest rates. In contrast, there has been a sharp cutback in private source international credits for South Africa in 1977.

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[7] Campbell, Mary and Francis Ghiles. New Data on LDC Debt. *The Financial Times*. June 16, 1977. p. 32. The authors state that this figure—$7.6 billion—is given in a report prepared by the Bank for International Settlements. The Bank for International Settlements Annual Report for 1977 (See p. 5) gives an end-year 1976 figure of $7.0 billion.

[8] The $1 billion estimate was derived as follows. Publicly issued bonds of $1.1 billion were sold in foreign and international markets between 1967 and 1976, almost all of which had maturities which ran into the early 1980s. A substantial portion of this debt would remain outstanding. Although the record on private placements is incomplete more privately placed issues ($290 million) were recorded during 1974–76 than publicly issued bonds with ($261 million) were recorded during 1976 that publicly issued bonds ($261 million). With certain knowledge of $1.4 billion in bond issues with maturities running into the early 1980s, and with the probability that other unrecorded private placements were made prior to 1974, it would seem reasonable to assume a $1 billion minimum estimates of monies to be repaid on outstanding bond issues.

[9] International Bank for Reconstruction and Development. International Finance Division. Calculated from data from sources noted on p. 41 and from date in "World Financial Markets." Morgan Guaranty Trust, March 1977. p. 1.

[10] BIS. Forty-Seventh Annual Report. p. 120.

[11] Wallich, Henry. Statement before the House Banking, Currency and Housing Subcommittee on Financial Institutions. March 23, 1977. p. 12. The $2.2 billion does not include loans granted by U.S. subsidiaries. Although subsidiaries are active in the international capital market they typically arrange and manage syndicated loans with the U.S. parent or branch doing the finding. Federal Reserve Board officials suggest that if subsidiary accounts were included the $2.2 billion figure would be only slightly higher. With respect to the $207.3 billion figure, it is likely that it overstates end-use lending. For example, $23.9 billion was credited to offshore banking centers and $41.4 billion to the United Kingdom. These centers are essentially banking entrepots.

[12] Private bank sources and information from the Tables.

Private bank loans to South Africa accelerated sharply within the 1974–76 period, increasing from $2.7 billion outstanding at end-year 1974, to $4.8 billion outstanding at end-year 1975, to $7.0 billion outstanding at end-year 1976.[13] Thus, from end-year 1974 to end-year 1976 bank lending to South Africa almost tripled in volume.

This volume increase in bank lending is reflected in its more than doubling as a portion of total foreign investment in South Africa during the same two year period. Bank lending, as a percentage of total foreign investment was 15 percent in 1974 and an estimated 32 percent in 1976.[14]

The significance of the doubling of international credit as a percentage of total foreign investment between 1974 and 1976 is that this represents an increase in the proportion of credit as opposed to ownership in the economy. The move towards liquidity appears to reflect investors perceptions that, in the long-term, South Africa is a less secure investment in 1976 than it was in 1974. Moreover, as the proportion of foreign investment shifts from ownership towards credit the indebtedness burden of South Africa increases. This means that the government must go to the international capital market for credit to a greater extent than earlier and it also presages heavier government participation in the national economy. The latter would be a continuation of a long-term trend in the economy (see p. 26).

Tables 1 through 6 show a trend towards shorter term maturities. $650 million of the $754 million in term-lending recorded in 1972–73 was for 10 or 15 years. Term-lending during the 1974–76 period ranged from three to ten years with only one bond issue, in 1974, for 15 years. There was a trend towards shorter-term credits in the international market during these years, a trend which was more pronounced with respect to South Africa.

Sources also report a trend towards increased interest rates being required of South African borrowers as compared to others. This trend will intensify if the ratio of South Africa's short-term to its long-term debt becomes greater. It is normal practice to roll-over short-term debt which, in fact, may mean that short-term rates are paid for longer-term loans, i.e., the cost to the borrower is increased.

There has been a definite trend away from selling South African bonds through the Eurobond market during the past 18 months. The last publicly issued South African bond sold in the Eurobond market occurred in January 1976. Traditionally, the Eurobond market has been a source of funds for South Africa, but this market, attracting the most conservative lenders, has been all but closed as the perception of risk has increased. The market for private placements remains open, at least in Switzerland and England.[15]

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[13] The trend with respect to South Africa is similar to the trend in worldwide lending. In testimony before the Senate Committee on Banking, Housing and Urban Affairs on March 10, 1977 Federal Reserve Board Chairman Arthur Burns noted the increase in U.S. bank lending to foreigners and attributed it to "first, the enormous rise of financing needs around the world that was occasioned by the quintupling of oil prices; second, the willingness of American banks to respond to those financing needs; third, the growth of multinational corporations and the internationalization of banking through the Eurocurrency markets." (U.S. Congress. Senate. Committee on Banking, Housing, and Urban Affairs. Hearings. 95th Congress, 2d session. Washington. U.S. Govt. Print. Off., 1977. p. 40.)

[14] The percentage calculations are based on the foreign investment figures found in Table 13, p. 73. The 1976 estimate is based on the 1975 figure for total foreign investment ($21.3 billion) to which the net capital inflow of $525 million in 1976 was added.

[15] Table 3; Rolfe, Richard "Heavy Demand on South African Bond Market." *The Financial Times*, May 27, 1977. p. 31; and footnote 2, p. 59.

As we have seen, bank lending continued strong through the end of 1976. However, U.S. bankers state that they and the European banks have cut back sharply on term-lending to South Africa although short-term loans, particularly trade financing, continues at earlier levels.[16] The World Bank reports that no publicized Eurocurrency credits or South African bond sales were recorded during the first two quarters of 1977. However, the first Eurocurrency term loan, a $60 million credit managed by Citibank, was reported in July 1977.[17] And the first publicized Eurobond financing for South Africa since January 1976 occurred in July 1977 with the sale of a DM35 million for SARH managed by the B–H–F bank of Germany. It was a private placement with a maturity of "only three years and the coupon is 8¼ percent—more than any recent borrower has paid in this market for any longer maturities."[18]

3. STRUCTURE

A majority of international credits extended to South Africa go to the government or government entities and a majority of these credits are longer-term instruments.

Statements by bankers and data from the Tables show that the government is the primary borrower of international credit. A total of $3.9 billion of the $4.3 billion in term-lending and bond sales identified in the Tables went to the public sector with the remaining ten percent going to the private sector. Over the same period two-thirds of the total long-term capital inflow went to government entities. Moreover, a Citibank Vice-President, in Senate testimony, stated "I described our general loan portfolio. We tend to make specific loans to specific government agencies for specific purposes."[19]

Although bankers' confidentiality inhibits precise ascertainment of the ratio of term-lending to short-term loans, the so-called long-term/short-term ratio,[20] it would appear to be very near 2:1, i.e., $5.0 billion in term-lending, $2.6 billion in short-term credits.[21] A debt structure which is weighted towards term-lending should not be surprising given South Africa's rich gold and mineral resource based export economy and the favorable investment climate which it provided until 1976.

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16 *Standard Bank Review* (SRB). Standard Bank Investment Corporation Limited. Johannesburg. November 1976. Pages 7-8 state that "In recent months much of the finance raised abroad has been short-term, that is for periods of less than twelve months."

17 _____. Euromarket letter. *The Financial Times*. July 15, 1977. pp. 4–5.

18 Campbell, Mary. "Eurobonds: S. African rail DM35m. issue." *The Financial Times*. July 20, 1977. p. 20.

19 U.S. Congress. Senate. Foreign Relations Committee. Hearings on South Africa. 94th Congress, 2d session. Sept. 30, 1976. Washington. U.S. Govt. Print. Off. p. 585.

20 National accounts data uses the term "long-term capital inflows." This would include medium-term lending as defined above.

21 This estimate was derived as follows. $3.4 billion of South Africa's $7.6 billion in outstanding bank claims matures in 1977. This represents short-term credits plus amortization of term-lending. The difference between the two figures, $4.2 billion, is the minimum figure for term-lending. Assume that term-lending is $5 billion. Table 4 shows that the average term-loan to South Africa has a maturity date of 6 years. If we assume that this is amcrtized at an even rate it would require annual payments of $.8 billion. The $4.2 billion minimum in term-lending, plus the $.8 billion in amortization, gives $5 billion as the estimated figure for term loans.

CHAPTER II. INTERNATIONAL CREDIT AND STRATEGIC INVESTMENT (1974–1976)

A. Fundamental Factors of Growth: Gold, Foreign Investment, and Local Capital

Gold and foreign investment have been fundamental factors of economic expansion in the South African economy for a century while international credit, traditionally of marginal importance, played a critically important role in the 1970s. Gold has been a stimulus for growth, a magnet for foreign capital and has traditionally paid for up to 50 percent of the nation's merchandise imports. Foreign investment, which averaged eight percent of gross domestic investment for the 1964–74 years, has provided the margin for economic growth and is identified with the transfer of technology into the most modern sectors of the economy: research, computers and heavy capital goods imports. International credit, particularly during the 1974–76 period, has provided much of the foreign funding for the government's development and security-related infrastructure projects and enabled the government to offset its increased defense and oil import costs. The local capital market has developed greatly in recent years but it does not have sufficient depth to provide the bulk of the investment capital needed for economic growth in South Africa.

During the 1974–76 period there was an important shift in the relative importance of gold and international bank lending and in international bank lending as a portion of total foreign investment. Gold sales, which had been equivalent in value to 35 percent to 50 percent of South Africa's post-war merchandise imports were equivalent to only 30 percent of merchandise imports in the 1974–76 period although total income from gold remained fairly constant. Over this same period international bank lending more than doubled, both in volume and as a percentage of total foreign investment. Thus, international bank lending, both absolutely and relative to the contribution of gold, is assuming a larger portion of the funding of South Africa's investment needs.

1. GOLD

Gold is the single most important factor in the South African economy. Gold sales during 1970–76 earned $16.4 billion in foreign exchange, equivalent to 40 percent of the cost of merchandise imports; during the same years it consistently constituted over 50 percent of the foreign reserve holdings of the South African Reserve Bank; and South African production (56 percent of world supply and 75 percent of the supply of market economies) gives it a near monopoly position in the market. The near monopoly position and the unique quality of gold a. an international standard of value[1] has served to consistently attract foreign investors and lenders by creating a favorable climate for investment and giving solidarity to the nations export base.

The dominant position of gold in the South African economy and the steady price it commanded in world markets until 1971 gave South Africa's economic authorities a powerful tool by which they could both stimulate and manage economic growth.[2] When gold was detached from its dollar par value in 1971 it ceased to serve economic managers as a stabilizing force in economic planning. Since 1971 the free market price of gold increased from an average daily price of $58 an ounce in 1972 to an average $97 an ounce in 1973, and an average $159 an ounce in 1974.[3] It has fluctuated from a high of $196 an ounce in 1975 to a low of $103 an ounce in 1976 and in April-May 1977 it held fairly constant at around $150 an ounce. Every change of $10 an ounce in the price of gold alters South Africa's earnings from that commodity by approximately $230 million.[4]

With respect to this study the critical importance of gold was its effect on South Africa's development decisions when earnings tripled as the price quadrupled between 1971 and 1974. South Africa's gold income averaged $1.3 billion dollars for 1971 and 1972, doubling to $2.6 billion in 1973, and reached a high of $3.8 billion in 1974.

Income from gold was the prineipal stimulant as well as financial base for the investment boom embarked on by the government in the mid-1970s. This investment was further stimulated by strategic considerations following the oil embargo during the winter of 1973–74 and concern about the political stability and orientation in the neighboring territories of Angola and Mozambique after the Portuguese revolution in early 1974. From 1974 through 1976 South Africa has doubled its defense budget, built up oil stockpiles and invested in infrastructure and research and development programs designed to make it less vulnerable to external political pressure.

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[1] The unique quality of gcld was given an added dimension this year when South African Finance Minister Horwood announced that his country would avail itself of an IMF ruling that nations could revalue their gold reserves from the official rate to a more realistic market-related price. Theoretically, South Africa's gold reserves, valued at $435 milion at a $34 dollar an ounce price (SARB, Dec. 1976 p. A63 and IMF Survey, Feb. 21, 1977), could achieve a near $2 billion dollar value if volume remains constant and the market price remains at its April-May 1977 level of approximately $150 an ounce. Although this would be a bookkeeping increase it could give a psychological boost to a nation whose reserves were equivalent to only 1.5 months of average import costs in recent months.

There will also be a real income increase (through savings), in that, under a 1928 agreement it remitted to Mozambique 60 percent of the earnings of Mozambicans working in South African mines in gold at the official price. When South Africa revalues its gold the remittance will be made at a market-related price. The differential could save South Africa an estimated $70 million per year in remitted wages.

[2] The steady and sure growth of the South African economy is reflected in the average annual increase in real national income which has been estimated as follows:

	Percent
1919–29	5.0
1929–39	5.8
1939–49	5.8
1949–59	5.0
1959–69	6.0

(Houghton, *op. cit.*, p. 39.)

[3] U.S. Congress. U.S. Senate. Committee on Foreign Relations. Subcommittee on African Affairs. South Africa. Hearings, 94th Congress, 2d session. Washington. U.S. Govt. Print. Off., 1977 p. 109.

[4] Morrison, Godfrey, ed. "South Africa: Gold and Riots". Africa Confidential, London, Vol. 17, No. 16, Aug. 16, 1976. p. 5. The statement assumes a constant level of production, which South Africa will likely maintain in the immediate future.

2. FOREIGN INVESTMENT

Foreign investment was attracted to South Africa by the discovery of gold and diamonds in the latter half of the nineteenth century and foreign capital and markets have been essential ingredients in the substantial growth and evolution of the economy since that time.[5] Since the early 1960s foreign investment has accounted for approximately eight percent of South Africa's gross domestic investment with "domestic savings providing the remainder". With respect to these figures the Director of Barclays National Bank of South Africa stated:

> I must point out immediately that . . . (these percentages) can be misleading in that they do not reflect the true extent to which we have had to rely on foreign investment (and in particular the know-how skills normally accompanying foreign investment) in respect of specific projects or specific economic sectors—and sometimes these can be key projects and industries.[6]

The fact that foreign investment represents 8 percent of gross domestic investment is significant in that it means that foreign investment has provided the margin for economic growth particularly since, as noted in the above statement, it is crucial for growth and development in key sectors of the economy.

Table 13 profiles the relationship of international credit (indebtedness) and foreign investment (ownership). International credit is found in the Non-Direct Investment category under Central Government and Banking (investment in foreign governments rarely represents ownership), and in the Private Sector categories of Debentures, Loan-Stock and Similar Securities, Mortgages and Long-Term Loans, and Short-Term (Loans). A part of Non-Direct Investment represents equity investment (ownership) and is represented in the Ordinary and Other Shares and Share Premium, Reserves and Undistributed Profits items.

Although this Table does not permit us to identify specific international credit items it does indicate that international credit is becoming a more important part of total foreign investment in South Africa. The International Bank lending portion of international credit represented 15 percent of total foreign investment in 1974 and an estimated 32 percent in 1976. If we add the bond and IMF credit figures from Part I, international credit represented an estimated 37 to 40 percent of total foreign investment at end-year 1976.[7]

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[5] The long-term importance of foreign capital is suggested by a major South African economist who states that "led by diamonds and gold, and assisted by the vast inflow of capital from abroad, South Africa was (by 1936) able to break the vicious circle of poverty." (Houghton, *op. cit.*, p. 38)

[6] Director, Barclays National Bank of South Africa. From an unpublished 1976 speech entitled "The Outlook for South Africa's Capital Requirements", to the Annual Conference of the Associated Chambers of Commerce of South Africa.

[7] With respect to U.S. foreign investment in South Africa by end-year 1976 its international bank lending of $2.2 billion was greater than U.S. direct investment of $1.6 billion.

The major national source of foreign investment capital has been and remains British [8] although there has been a trend towards greater U.S. investment, particularly in the 1970's. In 1969 approximately 60 percent of South Africa's foreign liabilities were owed to Britain, approximately 20 percent to other European countries and approximately 14 percent [9] to the United States. By the end of 1975 the U.S. claimed 20 percent of South Africa's liabilities with the European share, including Great Britain, dropping to approximately 70 percent.[10] The U.S. percentage of total bank claims was even greater, 30 percent ($2.2 billion of $7.6 billion), at end-year 1976.[11]

TABLE 13.—FOREIGN INVESTMENT: CAPITAL FLOWS TO SOUTH AFRICA END-YEAR TOTAL OUTSTANDING (1973-76)

[In U.S. millions]

	1973	1974	1975	1976 estimated [1]
Direct investment:				
Central government and banking	$246	$305	$275	(2)
Private sector	8,122	9,402	9,363	(2)
Total direct investment	8,368	9,707	9,638	$9,638
Nondirect investment:				
Central government and banking	1,567	2,068	3,529	3,877
Long term	964	1,327	1,953	2,112
Short term	603	741	1,576	1,765
Private sector	5,531	6,724	8,177	8,353
Long term	4,656	5,663	6,932	8,041
Ordinary and other shares	477	459	397	(2)
Share-premium, reserves, undistributed profit	1,934	2,141	2,139	(2)
Debentures, loan stock, and similar securities	594	721	919	(2)
Mortgages and long-term loans	1,468	2,239	3,471	(2)
Other	185	185	178	(2)
Short term	875	1,061	1,255	312
Total nondirect investment	7,098	8,792	11,706	12,230
Total foreign investment	15,466	18,499	21,344	21,869
International bank claims	(2)	2,730	4,702	6,966
Bank claims as percent of foreign investment	(2)	15	22	32

[1] Estimates based on 1976 capital account figures from table 18. Note that public corporations are included under the private sector account.
[2] Means not available.

Source: Adapted from SARB Quarterly Bulletin, December 1976, pp. S-64, S-65.

[8] The Standard Bank of England, for example, was: "first at the alluvial gold finds at Barberton and came with the pioneers to the great gold-mining industry on the Rand. For half a century and more it was both diamond and gold broker—buying and selling the stones of Kimberly, the gold of Barberton, of Lydenburt, and of the Rand. Most early businesses of commerce and manufacturing of the colonies of the Cape and Natal and the Republic of the Transvaal were financed by it." (Clarke, William. *The City in the World Economy*. London: Penguin. 1967, pp. 48-49. (*Quote* from *Financial Mail*, Johannesburg, Oct. 12, 1962.)

[9] Houghton, *op. cit.*, p. 39. Randal, Jonathan C. "Young's African Mission: Ending the Disbelief." *The Washington Post*, May 30, 1977, p. B. This article states Britain's investment in South Africa to be $4.6 billion, that of France is $900 million and that of the U.S. is $1.6 billion. The $1.6 billion in U.S. direct investment had not changed since 1975. U.S. direct investment was thus approximately 17% of total foreign direct investment in 1976. (See Table 14)

[10] SARB. December 1976. p. 37.

[11] See page 58.

TABLE 14.—FOREIGN INVESTMENT: CAPITAL FLOWS TO SOUTH AFRICA BY REGION (1975)

[In U.S. millions]

	1975	EEC 1975	Other Europe[1] 1975	Americas[2] 1975	Other 1975
Direct investment:					
Central Government and banking	$275	$205	$8	$14	$48
Private sector[3]	9,363	5,997	585	2,343	337
Total direct investment	9,638	6,202	693	2,358	385
Nondirect investment:					
Central Government and banking	3,529	1,714	536	679	601
Long term	1,953	1,208	104	611	30
Short term	1,576	506	432	67	571
Private sector	8,177	4,866	964	1,591	756
Long term	6,932	4,367	834	1,185	536
Ordinary and other shares	397	236	68	46	46
Share-premium, reserves, undistributed profit	2,139	1,367	433	142	198
Debentures, loan stock, and similar securities	919	634	55	189	42
Mortgages and long-term loans	3,471	2,151	298	821	200
Other	178	96	8	5	68
Short term	1,255	448	129	406	221
Total nondirect investment	11,706	6,580	1,500	2,269	1,357
Total foreign investment	21,344	12,782	2,193	4,627	1,743

[1] Assume that this is predominantly Switzerland.
[2] Assume that this is predominatly United States and some Canadian funds.
[3] Note that public corporations are included under the private sector account.

Source: Adapted from SARB Quarterly Bulletin, December 1976, pp. S-64 and S-65.

3. THE LOCAL CAPITAL MARKET

The local capital market is well developed in terms of institutional sophistication and of meeting a significant portion of the nation's capital requirements. Gross domestic savings financed 92 percent of total domestic investment in the 1964–74 period[12] and in recent years has consistently averaged 25 percent of gross domestic product (GDP).[13] Despite this notable savings record the local capital market is not of sufficient depth to meet South Africa's capital requirements if growth is to be achieved.[14] The capital shortfall was particularly notable in 1974–76 when South Africa's economic managers had to find large amounts of international credit to pay for their strategic investment program.

[12] Director, *op. cit.*

[13] *Ibid*, and Suckling, John. The Nature and Role of Foreign Investment in South Africa; The Economic Factor. Uppsala: Africa Publications Trust. 1975, p. 14.

[14] The 1976 data suggest that South Africa does have the capacity to increase its savings but not, however, at a rate sufficient to reduce the need for foreign capital. The SARB Quarterly Bulletin of December 1976 noted that "Gross domestic saving increased in the third quarter to a level which was about 7 percent higher than the average quarterly level attained in 1975. Notwithstanding the increase in saving and the decline in investment at current prices in the third quarter, the level of domestic saving continued to be insufficient to finance total fixed and inventory investment." p. 9. (An important factor which inhibits saving capacity is the limited participation in the economy by a majority of South Africa's population. This narrow-based economy, which excludes 80 percent of the population from participating fully, is unlikely to generate the level of savings necessary to free itself from a dependency on foreign capital for development.)

B. Strategic Investment: Public Corporations, Defense, and Strategic Imports

South Africa's increasingly isolated policital position [15] is directly responsible for that nation adopting a political-economic policy of "strategic investment." [17] Through government public corporations and Funds,[16] South Africa has determinedly pursued the rapid development of its energy and defense capabilities, built up oil stockpiles,[18] and continued to upgrade and expand its transportation and telecommunications network.[19] The Standard Bank Investment Corporation stated in 1976 that:

> During the past five years the authorities invested large sums principally in administration, post and telegraphs, railways and harbors and *strategic research*. Fixed investment by the public corporations was concentrated on mining and manufacturing, with emphasis on projects to exploit and beneficiate natural resources. Substantial sums were spent on oil exploration, phosphate development, colliery expansion and mining of industrial minerals and metals. In the manufacturing field semi-public sector projects were *intended primarily to strengthen South Africa's strategic position by concentrating on oil technology, steel production, aluminum and uranium reserves, petrol refining and developing electricity, gas and water utilities*.[20] [Italic added.]

The strategic investment policy is evident in the sharp increases in (1) public corporation investment, (2) the defense budget, (3) defense and oil imports and (4) government consumption and expenditures. International credit was critical to this investment.

1. Public Corporations

Government public corporations are the key element in the strategic investment policy and major borrowers in the international capital market.

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[15] Significant events in the early 1960s were the Sharpeville incident, the break with the British Common wealth of Nations (1961) the U.N. arms embargo (1963) and the assumption of independence by many Afri can states. (See Kaplan, Irving, et al. Area Handbook for the Republic of South Africa. Washington: U.S Govt. Print. Off. 1971, pp. 641–42). The independence of neighbouring Marxist states—Mozambique (1974) and Angola (1975)—guerrilla warfare in Rhodesia and Namibia, the 1976 Soweto demonstrations, and publicity generated by anti-apartheid movements in the U.S. and Great Britain have intensified the sense of isolation.

[16] The term "strategic investment" is the author's and is not a phrase which has been used by South African officials. South African Prime Minister John Vorster did state to the National Assembly in an April 20, 1977 speech that "South Africa has made the best preparations possible not only in getting the necessary weapons, but also in stockpiling strategic materials." This statement, plus the material presented in this chapter, may be accurately described as reflecting a policy of strategic investment. Also, the marginal cost of a project, for example SASOL's oil from coal project, may give an indication of the strategic nature of economic development efforts. SASOL is very expensive and would not be economically advantageous unless oil were more than double its present price. (Informant)

It is of course true that the practices described in this chapter, with the exception of increased defense expenditures and imports, also represent a normal, and even desirable, process of infrastructure development. And the earlier decision to stockpile oil, appears in 1977 to be particularly prudent, both in normal economic as well as strategic terms.

[17] Two such funds are the Defense Procurement Fund and the Strategic Oil Fund. Monies are appropriated for these funds each year but the appropriation is hidden. In addition, monies from various other sources are reportedly channeled into these funds. Substantial balances have been built up in these funds (over many years) which are used to pay for oil and defense imports.

[18] Fishlock, David. South Africa Energy. Unpublished report prepared for the Congressional Research Service of the Library of Congress. September 1976. p. 5 (see pp. 87–88)

[19] The private sector, with a strong input from foreign direct investment, contributed significantly to strategic growth through the importation of capital goods, technology and training, particularly in the fields of computers, oil technology and transportation. See, Rogers, Barbara. *White Wealth and Black Poverty*. Greenwood Press: Westport, Connecticut. 1976. Chpt. 4, pp. 123–169.

[20] Standard Bank Review. Standard Bank Investment Corporation Ltd. Nov. 1976.

TABLE 15.—*Publicized private source international credits to South African public borrowers (1974–76)* [1]

	Millions
Republic of South Africa (RSA)	$615
Electricity Supply Commission (ESCOM)	691
Iron & Steel Corp. (ISCOR)	731
South African Railways and Harbours (SARH)	625
Other	416
Total (Government entities)	3,078
Private sector (South Africa)	444
Total recorded	3,521

[1] Figures from Tables in Chapter I. This represents only foreign source financing. Government public corporations obtain much of their financing from South African sources. In 1976, for example, 60 percent of ESCOM's total credit requirements were filled by foreign borrowing. (*South African Digest*. June 24, 1977, p. 13.)

The volume of Government borrowing is also increasing rapidly.

TABLE 16.—*Publicized private source international credits to South African public borrowers (1972–76)* [1]

[In U.S. millions of dollars]

1972:	
Total	(2)
Government entities	277
1973:	
Total	(2)
Government entities	477
1974:	
Total	819
Government entities	668
1975:	
Total	944
Government entities	803
1976:	
Total	1,758
Government entities	1,613

[1] Figures from tables in ch. I. The total for government entities in table 15 ($3,078,000) does not equal the total for government entities for the equivalent period (1974–76) (total ($3,084,000) in table 16. The difference is due to rounding off numbers on the many individual loans.
[2] Not available.

The $3 billion in identified foreign private bank term lending to the central government and public corporations in 1974–76 constitutes an important component of the $20 billion long-term expansion program [21] the government has undertaken in recent years, financing

[21] *Africa Research Bulletin* (Aug. 15–Sept. 14, 1976, p. 998) printed the following list of major government projects scheduled for completion over the next five to ten years. The fixed cost for these projects totals $19.8 billion.

Project	*Billions*
Sasol II	$2.3
PO telecommunications	2.4
Containerisation	2.3
Duvha power station	1.6
Natla power station	1.5
Saldanha semis plant	1.5
Koeberg nuclear power station	1.4
Iscor expansions	1.3
Railways capital works	1.3
Uranium enrichment plant	1.3
Sishen-Saldanha	.8
Richards Bay development	.7
Kriel power station	.5
Drakensberg pump storage	.36
NW Cape power lines	.29
Residential areas Matla/Duvha/Kriel	.23
Sasol gasification plant	.08
Transkei hydro-electric	.05
Cape Town pump storage	.04
Pretoria opera house	.04
Foskor plant expansion	.04

such of the heavy capital goods imports and new technology required for the modernization and expansion of the telecommunications network, the transportation and shipping system, and energy and steel production.

Energy, described by private banking sources as "the fundamentally weak link in the economy" has received special attention by South African authorities for some time.[22] The South African Coal, Oil and Gas Corporation (SASOL), a pioneer in the conversion of coal into oil has entered a second stage—SASOL II—with a $2.3 billion expansion project. This project will be financed by export credits (20 percent of total), government appropriations (25 percent of total), and an estimated $300 million annually from the Strategic Oil Fund which will cover one-half of the cost of construction. The financing of export credits has reportedly been obtained.[23] When completed, SASOL I and II and expected to provided oil equal to 40 percent of 1974 consumption.[24]

Other energy projects include a $1.3 billion dollar uranium enrichment plant and the $1.1 billion dollar Koeberg nuclear power station which is expected to take eight years to complete. The latter project is included in the $2.9 billion ESCOM plans to spend between 1975 and 1985 and a portion of its financing will be provided by a syndicate of French banks.[25]

The South African Railways and Harbours Corporations (SARH), which owns and manages the national railways, ports, and petroleum pipelines, is developing an integrated steel production, railway, and shipping expansion program at a projected cost of $5.7 billion. SARH is providing improved rail service from the coal mines of the Transvaal to Richards Bay and from an ISCOR from ore production facility to Saldanha Bay where a processing plant will produce semi-finished steel. ISCORs $2.1 billion dollar program (which will increase steel producing capacity by 7 million tons in 1978), the SARH ($1.3 billion) expansion which includes $800 million for the Saldanha plant and port project and $200 million for the Richards Bay port, and a $2.3 billion port contamerization project will greatly expand South Africa's export capability.[26] The port and containerization projects are nearing completion and will give a major boost to South Africa's export potential.

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[22] Specifically, South Africa lacks oil reserves and is heavily dependent (92 percent) on other countries, particularly Iran, for its oil supplies.

[23] *South African Digest*. February 25, 1977. p. 4.

[24] *Standard Bank Review*. February 1976. Johannesburg: Standard Bank Investment Corporation Ltd., p. 4.

[25] *Ibid.*

[26] *Africa Research Bulletin*, op. cit., p. 998. The port projects were particularly important in that a lack of port facilities constituted an export bottleneck.

The heavy commitment South Africa has make on these projects places it squarely on the "treadmill of development," i.e., major projects already underway and planned must be developed in a co-ordinated, time conactions manner. The relationship of these projects to security requirements and to the expansion of exports (needed to repay the foreign debt incurred as a result of the expansion) will make it difficult to significantly cut-back or slow-down their further development. According to the U.S. Departments of State and Commerce, government spending on these projects "was a major stimulus to imports of capital goods in 1975 and the first half of 1976 . . . The current projects are of such massive size that they will offer a continuing potential market for goods in the next few years." [27]

2. DEFENSE BUDGETS

A host of factors have provided the impetus for increased defense expenditures. In general there is a growing awareness of the need for as much self-sufficiency as possible due to arms embargos and the increasing momentum of the overseas anti-apartheid movement. More specifically, local protest, the decision to intervene in Angola and the conclusions drawn therefrom, the independence of Angola and Mozambique, the Rhodesian civil war and the question of Namibia's independence have all served to increase security requirements.

The defense budget has increased from $688 million dollars in 1973 to $1003 million in 1974, $1230 million in 1975, and $1552 million in 1976, representing respectively, annual increases of 46 percent, 23 percent and 26 percent.[28] The defense budget for 1977 is $1.9 billion, an increase of 23 percent over the proposed 1976 budget.

In 1976 the government called on its citizens to further assist in the defense effort through purchase of $138 million in defense bonds. The Minister of Finance justified this during this 1976/77 budget speech by stating: "Where Defense plays such a large part in this budget and where the defense effort commands much widespread support in our country, I think the time has come to appeal to all South Africans to make a voluntary financial contribution for this purpose." [29] Forty-two million dollars worth of bonds were sold through October, and in December Barclays National Bank of South Africa purchased an $11.5 million issue.[30] The Minister of Finance in his 1977 speech again called upon the public to purchase defense bonds, this time for $276 million.[31]

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[27] Department of Commerce. Foreign Economic Trends and Their Implications for the United States January 1977. (Doc. no. 77–004). Jan. 1977. p. 10.

[28] Figures in rands 1973–1976 are 462, 692, 948, and 1350 million with increases of 46, 37, and 42 percent. The difference in percentage increase is due to differing exchange rates. In rands the defense budget tripled between 1973 and 1976, in dollars it slightly more than doubled.

[29] Minister of Finance 1976/77 Budget Speech delivered March 1976.

[30] The Barclays' purchase offers an interesting vignette in international bank operations and the political economy of South Africa. Barclays National Bank of South Africa accompanied the defense bond purchase with a statement to the effect that this reflected Barclays National Bank of South Africa's commitment to the country. This caused British anti-apartheid groups to protest to Barclays International in London. Barclays International noted that although it owned 63 percent of Barclays National Bank in South Africa, the latter was a South African bank, managed in South Africa, and with only five British citizens sitting on the 27 member Board of Directors. Although 63 percent ownership is held in Great Britain it is often the case that subsidiaries of multinational corporations/banks such as Barclays, are managed locally. (*The Financial Times*. Barclays NB in South Africa. Dec. 16, 1976.)

[31] The Finance Minister stated in his March 1977 budget speech that "it was desirable to make it more attractive for the public to invest savings directly with the State, more especially, to help finance our defence effort. I trust that the new national defence savings bonds, with the attraction of substantial bonuses, will receive wide support. (*South African Digest. op. cit.*, April 1, 1977. p.2.

3. DEFENSE AND OIL IMPORTS

Defense equipment and oil imports constitute a strategic investment of substantial magnitude which increased sharply during the 1974–76 period.[32] Although specific figures are not available it would appear that a minimum of $2 billion dollars in foreign exchange would have been required to cover import costs in 1976. This estimate is based primarily on figures from South Africa's prestigious Bureau of Economic Research (BER) and the United Nations.

The BER stated in mid-1976 that "presently an outlay abroad of R1400 million ($1610 million) to R1600 million ($1840 million) per annum more than the 1973 figure is required to cover oil and military imports." [33] Elsewhere the same publication states that the import bill for oil has increased R700 million ($805 million).[34] Although no years are given for the latter figure, we may assume that the period covered is since 1973 when the big oil price increase occurred. Assume the oil import volume in 1976 is held constant with 1975 import volume [35] (there was actually a recorded decline between 1974 and 1975), and multiply by the 1976 price per ton, a 1976 oil import cost of ~~$1063~~ million or ~~$813~~ million greater than the 1973 import bill, is obtained. The ~~$813~~/$805 similarity suggests that 1973 is a reasonable estimate for the year referred to above.

If the $805 million is accepted as representing the oil portion of the $1610–$1840 million increase and the $1610 million figure is taken as the increase in oil and defense imports (in order to arrive at an absolute minimum figure), the defense portion would also be $805 million. The $805 million plus the defense import portion of the 1973 $688 million budget, which could reasonably be put at $195 million, would give a 1976 defense import bill estimate of $1 billion.[36] Thus, it would appear that as a minimum, the oil and defense import bills each represented at least $1 billion in 1976, or a total oil and defense import bill of at least $2 billion.

If we deduct from this $2 billion total, the minimum increase of $1610 million, as reported by BER, which represents the increase in the costs of oil and defense imports between 1973 and 1976, we arrive at a 1973 oil and defense import bill of $390 million. Thus, oil and defense import costs between 1973 and 1976 appear to have increased 500 percent. It should be emphasized again at this point that these are estimates and that they are based on a number of stated assumptions. However, regardless of the exact portion of this minimal $2 billion bill which goes to oil and the exact portion which goes to defense, it is clear from the BER stated increase of $1610–$1835 million over 1973 and the oil import costs from Table ~~16~~ that the increase in both oil and defense import costs has been dramatic. 17

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[32] Table 17 shows little change in the volume of oil imports since 1972. The increase in oil was due to price, not volume. The increase in defense was due to both price and volume.

[33] Bureau for Economic Research (BER). *A Survey of Contemporary Economic Conditions and Prospects for 1977.* (Prepared by A.J.M. De Vries and Senbank Economic Services.) University of Stellenbosch Sept. 1976. p. 2.

[34] *Ibid.*, p. iii.

[35] See footnote 1.

[36] "The government has had to increase defense spending by 40 percent (1976 rand increase)—*two thirds of which is spent abroad*—and its oil import bill has gone up 500 percent to create what one expert calls 'structural negative changes in our balance of payments'." Hoagland, Jim. "U.S. Firms Imprint on South Africa Deep." *Washington Post*. January 16, 1977. (emphasis added) The 1976 defense budget was $1552 million. Two-thirds of this, or $1035 million would be import costs according to this statement by Hoagland.

The impact of these strategic imports on South Africa's balance of payments is worth noting.

> The additional burden of R1400 million to R1600 million imposed upon the South African economy by an increased oil bill and defense imports, more or less equals the present current account deficit of the balance of payments. One may indeed argue that in pre-1974 oil and defense terms the current account must now be more or less in equilibrium. However, oil and defense imports are indispensable with a price elasticity of zero or almost zero. Hence the foreign exchange content of non-oil, non-defense spending demands special attention.[37]

With respect to oil, Table 17, "Estimated Crude Oil Imports," is suggestive of the size of South Africa's oil stockpile. From 1966 to 1972 oil imports increased on an average of 800 ~~million~~ tons per annum. The increase from 1971 to 1972 was 3.6 million metric tons. Assuming that 800 ~~million~~ metric tons represented the increase needed annually for consumption, then 2.8 million metric tons could have gone into the stockpile.[38] If we take the 8.8 million metric tons imported in 1971, add 800 ~~million~~ metric tons per year, through 1976, and take the difference between these per year add-ons and the volume of oil actually imported we get a [illegible] billion differential for the years 1972–76. This is equivalent to approximately 80 percent of South Africa's estimated 1976 oil consumption requirements of 12 million metric tons. This figure gives validity to the estimates of private sources who state that South Africa has been stockpiling oil for some years and now is estimated to have a two-year supply of oil which if rationed, could be stretched into a longer period.[39]

TABLE 17.—Estimated Crude Petroluem Imports[1]

	Price per barrel[2]	Cost per ton[3]	Imports (millions of metric tons)	Import costs (U.S. millions)
1966	$1.33	9.75	[illegible] 5.5	$45
1967	1.33	9.75	5.6 7.1	53
1968	1.30	9.53	7.1 7.4	68
1969	1.28	9.38	7.4 7.7	69
1970	1.26	9.24	7.7 8.8	71
1971	1.66	12.17	8.8 12.4	107
1972	1.84	13.49	12.4 11.7	167
1973	2.91	21.33	11.7 13.6	250
1974	10.77	78.94	13.6 12.6	1,078
1975	10.72	78.58	12.6 15.0	990
1976	11.51	84.37	[4] 12.6 15.0	[4] 1,063

[1] U.N. estimates.
[2] Estimated market price (f.o.b. Arabian Gulf) of Arabian light crude oil. Petroleum Industrial Research Foundations, Inc. Vertical Divestiture and OPEC, New York, January 1777, p. 9.
[3] Conversion factors used in oil industry (compiled by Petroleum Economist): crude oil specific gravity of 0.860 at approximately 15.6 degrees C, gives 7.33 barrels per ton. Col. 1 (price per barrel) times 7.33 (barrels per ton) equals col. 2 (cost per ton).
[4] Estimated figures. If the 1975 import figure is held constant and multiplied by the 1976 price the result would be $1,063,000,000,000 or $813,000,000,000 more than 1973. (See pp. 85–86)
Source: World Energy Supplies, 1950–74, U.N., New York, 1976, series J. No. 19 for 1966–70 and 1971–74, p. ~~225~~.

[37] BER. *op. cit.*, p. 2.
[38] This oil could have been transshipped which, with the exception of possible assistance to Rhodesia, would be doubtful for a country committed to a stockpile program.
[39] *The South Africa Yearbook*, 1974 reports that the country has "several years supply of crude." p. 33.

TABLE 18.—OIL AND DEFENSE COSTS

[Dollar amounts in U.S. millions]

	1973	1974	1975	1976	1977
Oil import bill	$250	$1,078	$990	[1] $1,063	[1] $1,160
Defense import bill	(²)	(²)	(²)	[1] 1,035	[1] 1,242
Defense budget	688	1,003	1,230	1,552	1,902
Budget expenditure	4,897	6,223	6,862	8,960	10,004
Defense budget as percent of total budget	14	16	18	17	19
GDP at market prices	$28,420	$33,019	33,517	$33,367	(²)
Defense budget as percent of GDP	2.4	3.0	3.7	5.2	(²)

[1] Estimate.
[2] Not available.

4. GOVERNMENT CONSUMPTION AND EXPENDITURE

The increased costs of the strategic investment program were reflected in the growing proportion of government consumption expenditure in the economy and was financed by an expansionary fiscal and monetary policy as well as by international credit. The supply of money injected into the economy increased 22.3 percent in 1974, 17.4 in 1975,[40] and 16 percent through the first half of 1976.[41] This money was channeled to the government rather than the private sector; government consumption expenditure being the main expansionary force in the economy from 1974 through mid-1976.[42] During this period the government made nearly $3 billion in net claims on the banking sector[43] and government consumption expenditure as a percentage of gross domestic expenditure increased from its 1970–74 average of 12.5 percent to 13.9 percent in 1975 and, 15.4 percent in 1976.[44] Government consumption expenditure was up 15 percent in 1976 although it declined during the third and fourth quarters.[45] The post-mid-1976 effort by the government to reduce public spending was accompanied by a more restrictive monetary policy; the supply of money increased only 2 percent in the last half of 1976.[46] A 1977 indicator of whether the government will be able to adjust its strategic investment program to the capabilities of its economy will be seen in the degree of success it has in holding the line on its own expenditures and on the rate of increase in the supply of money.

[40] *Standard Bank Review*. July 1976. p. 4.
[41] South African Minister of Finance, Owen Horwood, 1977 Budget Speech. p. 5.
[42] *Africa Research Bulletin*. Aug. 14–Sept. 15, 1976. p. 998.
[43] Dagat, Merton. "South Africa's Figures Look Bad but the Reality is Worse," *Euromoney* Nov. 1976. p. 15. "An all but R2000 million increase in the 24 months between mid-1974 and mid-1976 in the net claims of the banking sector on the government sector—a liquidity injection equivalent in size to one quarter of the total money and near money stock of the country in July 1976."
[44] Government consumption expenditure includes defense expenditures which would account for much of the increase here. It does not include expenditure by public corporations. The product of these corporations is sold directly to the public and it is normal practice for governments to separate such accounts from the general government consumption and expenditure account.
[45] SARB. March, 1977 *op. cit.*, pp. 4 and S–69.
[46] 1977 Budget Speech, *op. cit.*, p. 5.

C. Balance Of Payments: The 1974–76 Deficit

The large deficits on current accounts in recent years are in distinct contrast to the national experience during the 1960s when South Africa first undertook a more determined growth policy. From 1960 through 1969 South Africa's current account was basically in balance with a cumulative positive differential of less than $30 million dollars for the ten-year period, although there was trend towards greater deficits in the late 1960s. However, a quantum jump in deficit occurred, in the 1970s and in particular from the third quarter of 1974 through the second quarter of 1976. The current account was in deficit by approximately $1.3 billion dollars both in 1970 and 1971, showed a slight positive balance during 1972 and 1973, and in 1974, 1975 and 1976 showed deficits of $1.4, $2.4, and $1.7 billion respectively.[47] The $5.5 billion cumulative deficit for the 1974–76 period included average quarterly deficits of approximately $600 million from the third quarter of 1974 through the second quarter of 1976—larger than any *yearly* deficit recorded before 1970.

Domestically these deficits reflect the South African Government's dropping its conservative fiscal policies and going on an investment boom. Externally a series of events from 1973 through 1975 directly affected the strategic investment practices which resulted in the adoption of large deficits. The oil embargo of the winter of 1973–74 and the subsequent hike in prices had a particularly disruptive effect on the economy as it did on that of many other nations. The sharp increase in oil prices in 1974 came on top of a worldwide economic stagnation and inflation which began to have its effects on South Africa in mid-1974. (South Africa's economic and trade cycles tend to follow that of the OECD countries by approximately 18 months). 1975 was a particularly traumatic year: the gold price was down and the oil price was up, a newly-independent and unpredictable Marxist government was in place in Mozambique and a civil war in to-be independent Angola was of sufficient concern to induce intervention by South African forces. Costs associated with these events were reflected in the $2.4 billion current account deficit and $2.4 billion net capital inflow for the year.

Continued apprehension about external political forces and about a deterioration in terms of trade leading to devaluation are reflected in the 1976 private short-term capital movements. The 1976 private short-term capital outflow totaled $945 million of which $447 million left the country under the "errors and unrecorded transactions" category. A small part of the latter may be assumed to be money that managed to avoid the foreign exchange controls and whose departure was inspired by the Soweto demonstrations.[48] A more significant

[47] See Table 19, p. 99. Both the 1970–71 and 1974–76 deficits were partially due to normal trade cycle effects. They were unusual in that they represented 6 percent to 7 percent of GDP in contrast to the post-war current accounts deficits which equaled an average of 3 percent of GDP.

[48] South African Reserve Bank Quarterly Bulletin, December 1976; No. 122. During the third quarter there was a net outflow of capital which the South African Reserve Bank states was due to political uncertainties," a sharp decline in long-term foreign borrowing, a low level of investment, and the short-term capital outflow.

portion of this outflow reflects "leads and lags" brought about by private importers who feared devaluation and paid their creditors early in the usual 90-day credit period. Conversely, South African exporters were probably urging foreign importers not to pay them before the (normally) full 90-day credit period was up. Large movements in the short-term capital account are usually due to leads and lags being shuffled because traders are speculating on the likelihood of devaluation. Such activity, of course, raised the cost of credit to the South African importer or exporter and the presence of this phenomenon indicated uncertainty about the currency and the economy.

By 1976 monetary and fiscal authorities had decided that the deficit creating spending boom of the two previous years had to be constrained and they set an improvement in the balance of payments as their first priority.[49] Policies adopted included restraints on government spending [50]—which were not put into effect until after mid-year because of ongoing projects; restraints on aggregate demand; and the restriction of domestic credit—the latter included raising the bank rate and liquid asset ratios and placing a ceiling on bank credit to the private sector,[51] tax increases, and the imposition of an import deposit scheme. In addition, institutional investors were asked to invest a greater proportion of their money in government stocks.[52]

These policies began to have visible effect after mid-1976. Merchandise exports were up 13.2 percent in volume and 33 percent in value over 1975 while merchandise imports were reduced 11 percent in volume although there was a 6.2 percent increase in total cost.[53] Service payments to foreigners declined—partially due to a reduction in dividend payments on foreign investment.[54] All of this contributed to a relative improvement in the current account deficit during the third and fourth quarters of 1976 when the deficits of $121 million and $462 million, respectively, fell below those of previous quarters.

Three major factors give further perspective to the large current account deficits of 1974–76: (1) world trade cycles, (2) normal development practices, and (3) political considerations. First, as noted above South Africa's trade cycle typically lags behind that of the industrialized nations by approximately 18 months. In this case the stagnation and inflation which South Africa's major trading partners suffered during 1973–1974 began to show up in a reduced demand for South Africa's exports in late 1974, 1975, and early 1976. South Africa is now pulling out of its high current accounts deficits as reflected in the overseas demand which made possible the 33 percent export increase in 1976. Moreover, although the current accounts deficit for 1976 was $1.7 billion the seasonally adjusted current accounts deficit rate, by quarter, declined steadily from $2.4 billion for the first quarter, to $1.9 billion for the second, $1.0 billion for the third, and $0.7 billion the fourth quarter. And by mid-1977 the current account balance for the year had moved into surplus.

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[49] Department of Commerce. Foreign Trends: January 1977. p. 8.
[50] Standard Bank Review. September 1976. pp. 1–3.
[51] BER, op. cit., p. 11.
[52] See above, p. 84, for description of Barclays National Bank investment in Defence Bonds. Barclays management stated that it was required to purchase a certain amount in government gilt edge securities.
[53] IMF Survey. February 21, 1977, and 1977 Budget speech, Minister of Finance.
[54] SARB, *op. cit.*, pp. 8—9.

Secondly, given the normal development goals of nations and given South Africa's rich mineral base and its stage of development, it is considered natural and desirable that it be a net importer of capital. It is preferable that its deficits be expressed in money terms—which are capable of being offset by foreign borrowing—than in real terms—in the sense that the importation of capital goods and technology at a rate below the absorptive capacity of the economy could lead to growth rates lower than would otherwise be possible.

Thirdly, the large private short-term capital outflow in 1975–76 occurred for economic as well as political reasons. Private firms needed less liquidity when their investment was down. Multinational corporations, in fact, typically export their surplus liquidity given conditions of low investment and economic downturn. This factor, plus the "leads and lags" phenomena and political unrest in 1976 contributed to the unusually large outflow. Whether this flow can be stopped or turned into a positive flow will be a major indictor of how investors perceive both the economic and political health of the nation in 1977

TABLE 19.—SOUTH AFRICA S BALANCE OF PAYMENTS 1970–76

[In millions of U.S. dollars][1]

	Calendar years—							1975				1976			
	1970	1971	1972	1973	1974[2]	1975[2,3]	1976[2,3]	1st quarter	2d quarter	3d quarter	4th quarter	1st quarter	2d quarter	3d quarter	4th quarter
Merchandise exports (f.o.b.) excluding gold	2,012	2,182	2,873	3,624	4,618	4,856	5,567	1,296	1,213	1,298	1,049	1,267	1,394	1,618	1,289
Merchandise imports (f.o.b.)	3,667	4,119	3,694	5,118	8,442	9,166	8,548	2,433	2,354	2,310	2,069	2,238	2,223	2,047	2,047
Merchandise trade balance (at current market prices)	−1,595	−1,937	−821	−1,494	−3,824	−4,310	−2,981	−1,137	−1,141	−1,012	−1,020	−971	−829	−429	−760
Net gold output	1,168	1,293	1,504	2,556	3,776	3,468	2,678	940	903	865	740	688	693	652	665
Net services (net payments minus receipts)	−796	−819	−777	−996	−1,472	−1,731	−1,608	−436	−485	−387	−423	−381	−495	−376	−392
Net transfers	68	56	80	19	124	176	149	63	50	39	24	53	39	32	25
Current account[4]	−1,155	−1,407	−14	85	−1,396	−2,396	−1,750	−569	−673	−475	−679	−611	−556	−121	−462
Long-term capital movements	596	614	813	309	1,120	2,321	1,278	466	602	494	759	272	462	189	364
Central government and banking sector	136	157	124	−16	190	431	159	49	185	−8	205	137	−38	−9	69
Public corporations and local authorities	202	216	221	388	634	966	818	180	250	278	250	148	261	287	132
Private sector	258	241	468	−63	296	926	291	237	167	224	298	−13	239	−98	163
Short-term capital movements not related to reserves	180	388	−148	−319	94	302	−753	136	−219	−202	−17	21	−414	−289	−71
Central government and banking sector	−35	−25	−72	−20	−109	−79	191	35	−175	49	12	109	−6	82	6
Public corporations and local authorities	4	43	10	−17	66	228	2	61	12	84	71	31	21	−28	−22
Private sector	119	217	−161	−157	643	−374	−498	26	−184	−217	−1	14	−252	−199	−62
Errors and unrecorded transactions	92	153	−70	−124	−486	−105	−447	12	128	−118	−99	−133	−177	−144	7
Net capital inflow	771	1,002	665	−10	1,214	2,623	525	602	382	292	742	251	48	−109	293
Change in net gold and other foreign reserves owing to balance of payments transactions	436	480	549	85	269	416	1,214	52	366	240	97	317	507	228	162
Liabilities related to reserves	36	145	84	56	125	571	616	55	376	350	63	267	51	85	214
SDR allocation and valuation adjustments	34	116	67	−113	−6	116	347	−3	31	87	1	335	1	5	6
Total change in gold and other foreign reserves (net decrease)	−366	−219	565	−161	−99	205	−252	7	−35	198	35	284	−455	−138	78

[1] The rand is converted into dollars at the following rates: 1970, 1.3949; 1971, 1.4025; 1972, 1.2951; 1973, 1.4438; 1974, 1.4722; 1975, 1.3665; 1976, 1.1500.
The 1975 quarterly figures were converted as follows: 1st, 1.4750; 2d, 1.4687; 3d, 1.3735; 4th, 1.1500

[2] Estimate.

[3] Due to devaluation of the rand in 1975 the relationship of these figures, converted to dollars, is not the same as they would have been if left in rands. For example, merchandise exports would have been increased more in rand terms, than is indicated here by the 1975 and 1976 figures.

[4] Includes official transfers.

[5] Data refers to the Republic of South Africa and Southwest Africa.

Source: African Reserve Bank, quarterly bulletin, March 1977, "Balance of payments," pp. S–56 and S–57. Data based on current prices, in millions of South African rand, have been converted to millions of dollars, using the corresponding annual and quarterly trade conversion factors (IFS).

D. International Credit: South Africa Investment and Export Expansion

A basic requirement for maintaining creditworthiness while running long term deficits is to increase the supply base for export sales in order to earn the foreign exchange necessary to service foreign debt. International credit is fundamental to this process, permitting the importation of capital goods and technology[55] which makes possible the higher rates of domestic investment essential to South Africa's economic growth and export expansion. During 1974–76 the South African Government used most of its international credit in precisely this way, channeling these funds into capital goods imports for infrastructure projects geared to increase exports as well as to make the economy more self-sufficient. Of equal if not greater importance is the basic economic assumption that a capital goods transfer is often accompanied by a transfer of technology which is the main source of modernization and productivity increase.

In order to demonstrate the degree to which international credit was utilized by and added to the productive sectors of the economy—as opposed to its being used for consumption or the purchase of existing fixed assets[56]—it would be necessary to identify specific credit inflows and their utilization by known entities. Tables 1–7 show that $3.9 billion of $4.3 billion in identified term lending went to government entities in 1972–76 and bank officers[57] state that most lending goes to government entities responsible for infrastructure development. However, the total amount of international credits extended for the 1970s and how much went to which private borrowers is not precisely known. Although time and data constraints do not permit the degree of specificity necessary to correlate closely international lending with borrower utilization the gross figures in Table 20 strongly indicate that the sharp increase in the extension of international credits to South Africa contributed primarily to public sector investment and, in particular, came to represent a significant and increasing portion of the cost of capital goods imports—the national accounts item most closely related to productivity and modernization.[58]

Section A of Table 20 shows a $4.2 billion net international bank credit inflow to South Africa in 1975–76; estimates that $6.4 billion in new lending was extended in the 1974–76 period; and notes the $3.8 billion in term-lending identified in the Tables in Part I.[59] (Different time periods are used because they correspond to available data.)

Section B duplicates information from Table 19 for easier reference. Of most interest here are the long-term capital flows to the Public Corporations and Local Authorities and to the Private Sector. The net flows were similar over the 1971–73 period ($825 million for inflow

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[55] See Table 21 (p. 66) for an example of the type of import which U.S. banks financed and which were supported by guarantees, and insurance within the discount, in some cases, loan program of the Export-Import Bank.

[56] International credit used for consumption also contributes to the economy in that it creates demand. Also, that portion which may go to buy existing fixed assets in the private sector would free that amount of money for use elsewhere in the economy.

[57] According to commercial bank sources a significant portion of international credit for South Africa is extended through the Euro-currency market and goes to finance major projects. As noted above, a Vice-President of Citibank stated that: "We tend to make specific loans to specific governments agencies for specific purposes." (U.S. Congress. Senate. Committee on Foreign Relations. *op. cit.*, p. 585.) These informants represent major lenders and their practices are typical.

[58] See footnote 5 on page 22. This table uses the understated figures for bank lending. Thus, it can be assumed that the estimates in this section and in Table 20 are conservatively stated.

[59] The $4.2 billion in the differential between the 1974 and 1976 figures in the first entry. The $3.8 billion is the sum of the 1971–76 figures in the third entry.

to public corporations and local authorities and $646 million to the private sector). In the 1974–76 period the inflow to public corporations and local authorities had become substantially greater than that to the private sector; $2,416 million compared to 1,513 million, respectively. Section C shows that this trend was of sufficient weight to reverse the annual positions of the public and private sector in terms of being majority investors in the economy; Public Corporations and Authorities accounted for 47 percent of gross domestic fixed investment (GDFI) in the 1971–73 period and for 51 percent in the 1974–76 period.

Section D, on capital goods imports (CGI) shows estimated new international bank lending increasing in relation to CGI from 31 percent in 1974 to 48 percent in 1975, to 62 percent in 1976; and in relation to GDFI from 13 percent in 1974 to 19 percent in 1975, to 30 percent in 1976. Capital Goods Imports as a percentage of GDFI increased from an average 38 percent for the 1971–73 period to an average 43 percent for the 1975–76 years. These figures suggest that the South African economy is becoming more capital intensive and clearly more reliant on international credit.[60] On the latter point Section E shows that net capital inflow as a percentage of GDFI approximately doubled between the 1971–73 and the 1974–76 periods in each sector—Central Government and Banking, Public Corporations and Local Authorities, and the Private Sector.

Section F shows that the long-term net capital inflows of Public Corporations and Local Authorities as a percentage of their gross domestic foreign investment (GDFI) increased from 9.6 percent in 1971–73 to 15.9 percent in 1974–76, or a 67 percent increase between the two periods. For the Private Sector the corresponding figures were 7.7 percent for 1971–73 and 8.6 percent for 1976–76, or a 14 percent increase between the two periods. Long-term development capital international markets has clearly become much more important to the public than the private sector as the former become the majority annual investor in the economy.

Moreover, it would appear that these net capital flow figures represent international credit much more than they do foreign equity investment; Table 13 shows that in 1974–75 the direct investment capital inflow was $1.2 billion while the international credit portion of the non-direct investment increased $4.6 billion for the same period.[61]

The close relationship between international credit and public and private sector infrastructure and development projects is shown most clearly through the importation of capital goods.[62] Implicit is the critically important transfer of technology which contributes to the modernization of South Africa's plant and its ability to compete in world markets as well as contributing to increased productivity.[63]

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[60] Ibid.

[61] The direct investment category basically represents multinational corporation ownership in South Africa. These corporations typically finance their own expansion, one of the reasons being that: "it pays to borrow money locally based on investor's savings locally and not to channel it in from outside countries. The major experience we have learned in the last 20 years is that threat of devaluation. That is, we lose the wealth we have put in there in dollar terms. As a result, most companies attempt to borrow locally almost equal to the assets they have invested so as to protect them against that devaluation." (U.S. Congress. Senate. Committee on Foreign Relations. *op. cit.*, p. 174. Statement by Joel Stern, then of Chase Manhattan Bank). Another reason for internal financing is the greater degree of control retained by the corporation.

[62] See Table 21, p. 66 for types of goods financed by U.S. private banks and supported by the Export-Import Bank of the United States.

[63] "The inflow of foreign capital has been important more for the technical knowledge that thas gone with it than the physical claim on overseas resources that the capital gave to SA." Suckling, op. cit., p. 15.

Suckling states that the importance of various factor inputs to the increase in South Africa's gross domestic product for 1957–72 were, by percent:

Exogenous technical change	60
Increases in labor force	21
Increase in domestic captial	12
Increase in foreign owned domestic	[64] 7

[64] *Ibid.*, P. 23. The close correlation between advances in technology and productivity increases which Suckling examined in South Africa is typical for other economies as well. Pen notes that "90 percent of the growth of labor productivity in the United States over the past 50 years resulted from techincal progress and only 10 percent or so from material inputs." Pen, Jan. *A Primer on International Trade.* New York: Random House. 1967. p. 30.

TABLE 20.—INTERNATIONAL BANK LENDING AND SOUTH AFRICAN DOMESTIC INVESTMENT [1]

[In millions of U.S. dollars]

	1971	1972	1973	1971–73 [2]	1974	1975	1976	1974–76 [2]
A. Total bank lending outstanding at the end of year (BL)	NA	NA	NA	NA	2,730	4,762	6,966	NA
Estimated new bank lending [3]	NA	NA	NA	NA	1,183	2,063	3,019	6,365
Bank lending to South African Government and public corporations (identified)	NA	227	477	NA	668	797	1,613	3,078
B. Net capital inflow (NCI)	1,002	665	−10	1,659	1,214	2,623	525	4,362
Central Government and banking sector:								
Long term	157	124	−16	265	190	431	159	780
Short term	−25	72	−20	27	109	−79	191	221
Public corporations and local authorities								
Long term	216	221	388	825	634	964	818	2,416
Short term	43	10	−17	36	46	228	2	276
Private sector: [4]								
Long term	241	468	−63	646	296	926	291	1,513
Short term	217	−161	−157	−101	643	373	−498	519
C. Gross domestic fixed investment (GDFI)	5,244	5,556	7,092	17,892	8,871	10,654	10,046	29,571
Public corporations and local authorities	2,396	2,783	3,235	7,994	4,215	5,431	5,435	15,081
Private business enterprises	2,848	2,853	3,673	9,374	4,657	5,223	4,721	14,601
Public corporations and local authorities as percent of GDFI	46	50	46	(47)	47	51	54	(51)
Private business enterprises as percent of GDFI	54	50	54	(53)	53	49	46	(49)
D. Capital goods imports (CGI)	2,105	1,939	2,739	6,783	3,833	4,297	[5] 4,555	12,695
Estimated new bank lending as percent of CGI					31	48	62	(48)
Estimated new bank lending as of GDFI					13	19	30	(22)
CGI as percent of GDFI	40	35	39	(38)	43	40	46	(43)
CGI as percent of total imports	56	54	56	(56)	54	60	62	(58)
E. Net Capital inflow to central Government and Banking as percent of GDFI	2.5	3.5	0	(2)	3.4	3.3	3.5	(3.4)
Net capital inflow to public-corporations and local authorities as percent of GDFI	4.9	4.2	5.2	(4.8)	7.7	11.1	8.1	(9)
Net capital inflow to private sector as percent of DGFI	8.7	6.5	−3.1	(4)	10.5	12.2	−2	(7)
F. Long term net capital inflow of public corporations and local authorities as percent of their GDFI	9.0	7.9	12.0	(9.6)	15.0	17.7	15.0	(15.9)
Long term net capital inflow of private business enterprises as percent of GDFI	8.5	16.4	−1.7	(7.7)	13.9	5.7	6.2	(8.6)

[1] Sources: MBL figures from BIS; international credits to South African Government from ch. 1 tables; net capital flow figures from table 18; GDFI figures SARB; capital goods imports figures from South African Bulletin of Statistics. Many of these figures are estimates and for 1974–76, should be considered as provisional.

[2] In these 2 columns parentheses indicates a percentage. No parentheses equals a total figure.

[3] Assumption is that two-thirds of the outstanding figure is term lending (see ch. 1) and that 15 percent (equivalent of average maturity of approximately 6 and 7 years is amortized annually) is paid off each year. New lending is (assumed) one-third short-term lending plus this amount. For example, 1974 new lending is $910 short term plus 15 percent of $1,820 long term ($273) or $1,183. 1975 new lending is $1,587 short term plus 15 percent of $3,175 long term ($476) or $2,063. 1976 new lending is $2,322 plus 15 percent of $4,646 long term ($697) or $3,019.

[4] Does not include errors and unrecorded transactions.

[5] Estimate. With import cost up 6 percent in 1976 assumption is that CGI 1976 is CGI 1975 times 1.06.

TABLE 21.—EXPORT-IMPORT BANK OF THE UNITED STATES: DISCOUNT LOAN STATEMENT OF APR. 30, 1977 [1]

Authorization date	Maturity date	Bank loan	Product or purpose	Export value (U.S. thousands)	Guaranteed, insured, or pending
1972	1977	Chase Manhattan Bank, New York.	Authorization business forms, printing press, and Collator.	$157	Insured.
1972	1975	do	Textile dyeing machine	48	Do.
1973	1977	do	Collator	101	Do.
1973	1977	CitiBank NA, New York City	Construction equipment	1,000	Pending.
1973	1977	do	do	1,100	Do.
1973	1977	do	Terey scrapers	1,100	Do.
1975	1979	do	Construction equipment	650	
1975	1979	do	do	130	
1973	1980	Irving Trust Com., New York	Train control system	1,500	
1977	1983	Bank of America, N.T. and S.A.	Continuous coal mining equipment.	1,000	Guaranteed.
1969	1974	Manufacturers Hanover Trust, New York.	Locomotives	651	
1970	1971	do	Diesel electrical locomotives	836	
1973	1979	do	Diesel locomotives	2,000	
1976	1982	do	2 coal mining machines	550	
1974	1980	Philadelphia National Bank	Computing system	400	Pending.
1974	1980	do	do	300	Do.
1974	1981	do	Computer cotrol system	500	
1972	1979	North Western National Bank, Minneapolis.	Dump trucks and spare parts	500	Guaranteed.
1975	1981	do	Truck crane	440	Pending.
1972	1979	Central National Bank of Cleveland	Temper mill	2,287	
1972	1978	do	Recoiler and scale breaker	918	
1972	1979	do	Slitting and coiling line.	1,391	
1972	1979	do	Shear and trim	1,761	
1972	1979	do	Resquaring shear	122	
1973	1979	do	Leveling line-steel processing	3,100	
1973	1979	do	Tire manufacturing equipment	1,730	
1974	1979	do	Electric motors	89	Do.
1977	1983	do	Pipe finishing equipment	3,500	Guaranteed.
1977	1983	do	Gear, shafts, and bearings	1,102	Do.
1973	1977	Citizens & Southern National Bank, Atlanta.	Construction equipment	500	Pending.
1975	1978	do	Farm tractors	1,050	Do.
1975	1979	do	Farm machinery	2,000	Insured.
1975	1978	do	Commercial washers and dryers	2,200	Pending.
1976	1980	do	Farm machinery	1,111	Guaranteed.
1970	1972	Bankers Trust New York Corp	Ground support equipment	200	
1973	1976	Trust Co. of Georgia, Atlanta	Regulator	36	Pending
1976	1981	Security Pacific National Bank, California.	Turbo commander 690A	780	Insured.
1976	1980	do	Aircraft (1) aero commander	51	Do.
1977	1982	do	Turbo commander aircraft	818	Do.
1972	1980	Morgan Guaranty Trust Co., New York.	Trucks	6,250	Pending
1973	1979	do	Communication equipment for railroad.	3,400	Do.
1973	1979	do	Nut former	270	
1973	1979	do	Drilling machine	400	
1973	1980	do	Tire Manufacturing equipment	1,922	
1974	1981	do	Steel mill equipment	4,000	
1976	1981	do	Coal mining machines	800	
1973	1977	American National Bank & Trust Co., Chicago.	Construction equipment	1,100	Insured.
1974	1976	do	do	1,000	Guaranteed
1971	1977	Wells Fargo Bank NA, Los Angeles and San Francisco.	Computer system	500	
1972	1978	do	do	774	
1972	1979	do	2 waterwheel generators	3,000	Pending.
1973	1976	do	Construction equipment	150	
1975	1977	First Wisconsin National Bank, Milwaukee.	Earth moving and construction equipment.	30,000	Guaranteed.
1969	1970	Continental Illinois National Bank & Trust Co., Chicago.	Crane	230	
1972	1976	do	Construction equipment	666	Do.
1973	1978	do	Aircraft	566	
1973	1979	do	do	605	Pending.
1973	1977	do	Cranes	750	
1975	1978	do	Farm equipment	741	Guaranteed.
1975	1981	do	Steel foundry equipment	500	
1975	1981	do	Metal working equipment	1,300	
1973	1977	Society National Bank of Cleveland	Construction equipment	2,778	Insured.
1973	1977	do	Tire servicing equipment	67	Do.
1972	1978	Pittsburgh National Bank	Electrical equipment for manufacture.	700	Guaranteed.
1972	1982	do	Electrical equipment	9,600	Do.
1972	1980	do	Pickle line revamp	2,800	Do.
1972	1980	do	Cold shear line	4,000	Do.
1972	1980	do	Contour lathers for roll shop	1,200	Do.
1972	1979	do	Coil buildup line	3,000	Do.

See footnotes at end of table.

TABLE 21.—EXPORT-IMPORT BANK OF THE UNITED STATES: DISCOUNT LOAN STATEMENT OF APR. 30, 1977 [1]
—Continued

Authorization date	Maturity date	Bank loan	Product or purpose	Export value (U.S. thousands)	Guaranteed, insured, or pending
1972	1979	Pittsburgh National Bank	Wire drawing machines	$1,000	Guaranteed.
1972	1979	do	Coil rewind line	600	Pending.
1972	1980	do	Cold shear line	5,250	Guaranteed.
1972	1986	do	Galvanizing line	7,500	Do.
1972	1980	do	Tensing leveling line	2,900	Do.
1972	1979	do	Manufacturing equipment	1,200	Do.
1973	1979	do	Iron mill rolls	2,500	Do.
1973	1980	do	Steel plant equipment and engine services.	700	Pending.
1973	1981	do	Steel mill equipment	4,000	Do.
1973	1981	do	Paint line	2,800	Do.
1974	1987	do	Pickle line for steel plant	11,500	Guaranteed.
1973	1981	do	Cold shear line	4,000	Do.
1974	1987	do	Pickle line	9,642	Do.
1974	1981	do	Billet inspection plant	2,500	Do.
1974	1988	do	Steel fabrication equipment	9,000	Do.
1974	1978	do	Aircraft	1,000	Pending.
1975	1981	do	Miscellaneous manufacturing articles.	3,333	Guaranteed.
1975	1981	do	1 continuous mining machine	276	Do.
1971	1983	do	Tension leveling line	1,200	Do.
1976	1981	do	Continuous mining machine	570	Pending.
1976	1978	do	Replace gear for dragline	210	Do.
1976	1981	do	Mining machine and component parts.	460	Guaranteed.
1976	1982	do	4 underground coal shuttle cars	258	Do.
1976	1982	do	2 Marietta mining machines	700	Do.
1972	1977	Continental Bank International, New York.	Bottling equipment	300	Do.
1972	1978	do	Bottling and packing machine	341	Insured.
1973	1977	do	Trucks	300	Pending.
1974	1977	Harris Trust & Savings Bank, Chicago.	Laundry equipment	300	Do.
1976	1978	do	Commercial laundry equipment	1,111	Do.
1975	1977	American Express International Brokerage Corp., New York.	16 general aviation aircraft	2,222	
1974	1977	First Chicago International Brokerage Corp., New York.	1 Helio super courier tri	75	Insured.
1972	1976	Chemical Bank, New York	Manufacturing machinery	500	
1972	197	do	Metal presses etc	750	
1975	1982	do	Can-producing machinery	2,054	Guaranteed.
1972	1978	Crocker National Bank, Los Angeles and San Francisco.	Industrial heating and cooking equipment.	200	Do.
1973	1978	do	1 Cessna aircraft	300	Do.
1972	1975	Mellon Bank International, New York.	Grove cranes	125	
1972	1975	do	Concrete pumps and accessories	54	
1974	1978	do	Printing presses	70	Pending.
1975	1979	do	Cranes	400	Do.
1976	1980	United California Bank International, New York.	Machine tools	275	Do.
1973	1977	Bank of Boston International, New York.	Hydraulic cranes	2,000	Do.
1973	1980	do	Trucks	5,500	Do.
1974	1977	Cleveland Trust Co	Business forms press	112	Insured.
1975	1980	do	do	161	Pending.
1975	1980	do	One collator	135	Do.
1975	1979	do	Heavy duty farm tractors	2,000	Guaranteed.
1972	1976	Fidelity International Bank, New York.	Beechcraft aircraft	250	Pending.
1973	1977	do	Aircraft	1,823	Guaranteed.
1976	1979	do	Helio aircraft	205	Pending.
1976	1982	do	Concrete block manufacturing equipment.	700	Do.
1976	1982	European-American Bank & Trust Co., New York.	do	251	Do.
1973	1978	First City National Bank of Houston.	MU-2J prop-jet airplane	345	Guaranteed.
1976	1987	North Carolina National Bank	1 Industrial crane	200	Do.
1976	1980	do	Minicomputers	160	Do.
1976	1981	do	Aircraft	412	Do.
1972	1979	Central National Bank, Chicago	Dump trucks and spare parts	500	Do.
1975	1978	Harris Bank International Corp., New York.	Aircraft	2,000	Insured.
1973	1975	Philadelphia International Bank, New York.	Cranes	500	Do.
1975	1980	do	Helicopter	850	
1973	1976	Northern Trust International Brokerage Corp., New York.	Cranes	425	
1973	1981	First National City Bank (International, Chicago).	Train control and communications.	3,060	

See footnotes at end of table.

TABLE 21.—EXPORT-IMPORT BANK OF THE UNITED STATES: DISCOUNT LOAN STATEMENT OF APR. 30, 1977 —Continued

Authorization date	Maturity date	Bank loan	Product or purpose	Export value (U.S. thousands)	Guaranteed, insured, or pending
1974	1980	First National City Bank (International, Chicago).	Construction Machinery	$1,200	
1975	1978	do	Laundry equipment	1,111	Guaranteed.
1975	1981	do	Sheeting machine	736	
1972	1975	First National City Bank (International Los Angeles).	Engine labs	48	Insured.
1974	1978	Crocker Mid-America International Bank.	Street cleaning equipment	222	
1975	1977	Continental Bank International, Houston.	Rice sorting machine	51	
1976	1981	do	Helicopter	200	
		Total		229,090	

[1] U.S. banks which finance trade with South Africa may in turn discount (usually a portion of) these loans with the Export-Import Bank of the United States. The last column identifies those loans which also have been guaranteed or insured by the Export-Import Bank. This table includes all loans to South Africa discounted by the Export-Import Bank.

Source: Adapted from information supplied by the Export-Import Bank of the United States.

CHAPTER III. THE LIMITS TO GROWTH; THE 1977 INTERNATIONAL CREDIT SHORTFALL

The basic economic strategy of the South African government is to maintain a strong current account on the balance of payments by improving the export sector and also by following a policy of import substitution. Given present uncertainties about the continued inflow of foreign capital the authorities believe that a long-term adjustment in the balance of payments, to be achieved through a reduction in the traditional net inflow of foreign capital which had averaged 3 percent of GNP since WWII, is also necessary. The reduction in the current account deficit and the net capital inflow over the long term will require a continuation of the shift of resources into export expansion and away from domestic consumption.

The 1977 budget manifests the policy of a reduced dependence on foreign capital; however, the depressed state of the economy and the concomitant pressures to stimulate growth and reduce unemployment will almost certainly create a continuing pressure to import foreign capital (in the form of international credit since direct investment has practically ceased) for the investment stimulus the economy needs to break out of three years of sluggish behavior. Moreover, the government has a current need to get out of the awkward position caused by its sizable short-term debt. The triple pressures of servicing this short-term debt, of stimulating a sluggish economy, and of funding its continuing strategic investment requirements pose a major challenge to the long-term strategy of reducing the current account deficit and the historic dependence upon large net capital inflows.

A. 1977 Economic Conditions

The major question mark for the economy in 1977 is whether the normal trade cycle and stock cycle effects—downward trends in both the stock cycle and the trade cycle should reverse themselves—will quicken the pace of economic activity sufficiently for the economy to recover from three years of sluggish behavior. The recovery of the Western economies has already had a pronounced effect on South African trade with the 33 percent increase in export income in 1976 and, very encouraging to South Africa, a (provisional) current account deficit of only $170 million for the first four months of 1977.[1] The stock cycle however, remains stagnant with a continuing high level of surplus capacity after a two-year sharp decline in stock levels.[2] The availability of investment capital will be a major factor in converting the surplus capacity to production, to the buildup of stocks, and to economic growth.

[1] *South African Digest.* May 27, 1977. p. 9.

[2] Chase Manhattan reported in July 1977 that over one-fifth of South Africa's productive capacity remained idle. (International Finance. July 11, 1977. p. 4.)

Economic recovery will be inhibited by a number of structural factors: the adjustment to a lower level of foreign investment, the lack of skilled labor, and the inelasticity in the increased costs of oil and defense imports. One survey of U.S. companies with direct investments found that over half do not plan further investment over the next five years (although Volkswagen, British Petroleum and Leyland have announced expansion plans),[3] 15 of 100 U.S. businessmen interviewed were considering withdrawal of their investments,[4] and a U.S. based group that examines international creditworthiness dropped South Africa from 5th to 19th place.[5] Of more immediate concern was the 1976 short-term outflow of $751 million "not related to reserves" [6] reflecting "leads and lags" speculation based on a fear of devaluation and possibly a reduced confidence in the future of the economy. Beyond this, the reduction in direct investment implies a reduction in the technological progress which is achieved through the transfer of technology.

The apartheid laws have limited the development of skilled labor, inhibited development of a single manpower plan for the economy, and skewed development in such a manner as to make the capital component of the capital/labor/production relationship of greater importance in a capital hungry developing economy.[7] In the most recent investment survey done by the BER (1973) 59 percent of the respondents stated they would invest more if they did not anticipate bottlenecks and of these "86 percent expect that a lack of skilled workers and technicians will be a serious bottleneck." [8]

These structural problems underlie a number of particularly bleak business indicators registered in 1976. Manufacturing output was down 9 percent, auto sales 19 percent, and mortgage advances 29 percent from 1975.[9] Consumer spending and business orders declined, businesses in liquidation were among the worst in history; [10] and late in the year two banks were placed in receivership and another suffered heavy losses.[11]

Real gross domestic expenditure, real fixed investment, and inventory investment, were all down in 1976.[12] Private fixed investment showed the greatest decline and, beginning in the second quarter of 1976, the fixed investment of public corporations also began to decline. The latter was due to "the partial completion of the Sishen-Saldanha project and the forced postponement of outlays on other projects due to a general shortage of capital." [13] Expenditure by public authorities continued to increase in 1976, however, and real government consumption expenditure is projected to increase in 1977.[14]

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[3] United Nations. Special Committee against Apartheid. "Present economic situation in South Africa and the importance of urgent international action." UN. A/AC. 115/L.456

[4] Hoagland, Jim. "U.S. firms imprint in South Africa deep", *Washington Post*. Jan. 16, 1977.

[5] Doing Business with a Blacker Africa. Business Week. Feb. 14, 1977. p. 67.

[6] 1977 Budget speech. p.4. (Total private short-term capital outflow was $945 million.)

[7] While apartheid permits low wages, which reduces capital requirements to a degree, its restraints on the development of skilled labor forces more capital intensive practices. The South African Government's Economic Development Programme for 1976–81 notes the increasing capital intensity of the economy over the past 20 years which it attributes to an underutilisation of labor and exececessive imports. (Simon, Bernard. Gloomy official fore-for South African economy. *The Financial Times*, June 6, 1977.

[8] BER. "Survey of Investment Intentions, 1973–1975. Cape Town, Albion Press. 1973. p. 14.

[9] Business. "Angola 1975, Soweto 1976." April 9, 1977. p. 12. (Reprinted in AF Press Clips. April 12, 1977, Dept. of State)

[10] Standard Bank. *op. cit.*, January 1977. p. 1.

[11] 1977 Budget Speech. *op. cit.* p. 5.

[12] 1977 Budget Speech. *op. cit.* pp. 7–8.

[13] SARB. December, 1976. *op. cit.* p.8.

[14] *Ibid.*, and 1977 Budget Speech. *op. cit.*, p.8

Unemployment rose rapidly in 1976 although total employment increased.[15] From 1973 through early 1976 unemployment among "Whites, Asians, and Coloureds" fluctuated between 8,000 and12,000 or approximately one-half of one percent. By February 1977 there were 22,207 registered unemployed, or approximately one percent.[16] Black unemployment (no official statistics are kept), is estimated to be between 1 and 2 million, or approximately 10 to 20 percent of the active labor force.[17] A reported 10,000 to 20,000 Blacks are losing their jobs every month.[18]

Wages have also increased sharlpy—35 percent in 1976 over 1974 levels—but there was no corresponding expansion in productivity.[19] Black wages were up 24.2 percent in 1975 and wages of Whites, Asians, and Coloureds were up 13.6 percent. Wages were projected to have increased another 15 percent in 1976,[20] but with the differential between the Black and White wage increase reduced.

The major bright spots in the economy have been the ability of the government to reduce the rate of increase of the money supply and of its own expenditures since mid-1976, the great surge in exports, and the increase in the price of gold, Gold, which sold for just over $100 an ounce in August 1976 was selling for nearly $150 an ounce from April to June 1977. If these prices hold, South Africa's foreign exchange income from gold in 1977 could be $500 million or more higher than it was in 1976. As noted above, 1976 merchandise exports increased 33 percent in value while imports increased only 6.2 percent [21] and the trend in 1977 has shown continual improvement. The 1977/78 budget holds the line on government expenditure, with the exception of defense and some social services, and the rate of increase of the supply of money dropped sharply after mid-1976.

B. The 1977–78 Budget

In 1977 South Africa's fiscal authorities are making adjustments for (1) major external events of the 1970s—the quadrupling of the price of oil and increased political instability in southern Africa—and its own domestic political unrest, both of which give continuing impetus to the strategic investment program; (2) the domestic economic downturn which began in 1974, reached recession proportions in 1976, and has persisted through early 1977; and (3) a sharply reduced ability to obtain international term lending which places a financial squeeze on an economy in which one of the primary constraints to growth has been investment capital.

The government response to these conditions has been the adoption of a 1977/78 [22] budget designed to reduce the deficit on current account and the rate of inflation while continuing infrastructure development, increasing defense expenditure, and providing more money for the Black sector. Credit requirements will be met through

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[15] *Ibid.* p. 2.

[16] Bulletin of Statistics. September 1976. Republic of South Africa. Department of Statistics. Pretoria. pp. 2.34–2.35. 1976 Budget Speech. p. 4

[17] Goodwin, June. "Black Trade Unions Gain in South Africa." *Christian Science Monitor.* Feb. 16, 1977. Hatton, Graham. "South Africa and the Foreign Money Taps" *The Financial Times*, March 8, 1977.

[18] *Ibid.*, Goodwin and Hatton.

[19] BER. *op. cit.* p. 2.

[20] *Ibid.*, p. 29.

[21] IMF Survey. Feb. 21, 1977.

[22] Minister of Finance. 1977 Budget Speech. March 30, 1977. p. 8. The budget year is from April 1, 1977 to March 31, 1978.

an enforced channeling of domestic savings into the public sector to take place of more limited access to international term-lending. Little or no economic growth is expected in 1977 although the "government continues to attach the highest importance to the long-term growth of the economy." [23] In addition, an interdepartmental committee under the Secretary of Finance has been set up "to investigate the capital priorities of the public sector, of which the public corporations of course form an important part." [24]

Dependence on international credit by South Africa is clearly reflected in the 1977 budget speech of the Minister of Finance:

> The pressing needs of the Treasury arise basically from the urgent requirements of defence and from the need to build up our economic and social infrastructure in the broadest sense of the term. There are also the financial requirements of the public corporations. . . . On the other hand we are faced with a relatively slow growth of State revenue and with a likely reduction in the availability of foreign capital.[25]

The government is calling directly on the private sector to fill the gap created by the projected international credit shortfall.[26] These monies are to be obtained through bond sales to the public—$92 billion in defense bonds and $184 billion in national defense savings bonds; from a requirement to increase investment in government securities from bank and building societies and other financial institutions—$138 million each from the bank and building societies and $598 million from the financial institutions; and an estimated $460 million to be earned from a 15 percent import surcharge.

These funds total $1606 million of which $1524 million will be used to meet government expenditures associated with international credit, defense, public corporations and general government purposes. More specifically, $207 million is required to redeem foreign loans, $171 million to renew existing foreign loans, $295 million to be capitalized for the public corporations, $276 to be allocated for defense purposes, and $575 million to be invested in government securities for general government purposes.

South Africa's acceptance of its reduced ability to obtain international credit combined with its decision to draw on the private sector to meet public sector spending requirements creates an apparent conflict with the possibility of economic recovery in 1977. The 1976 decline in gross domestic fixed investment (at constant prices), high and increasing unemployment, and the sharp draw-down in inventories would be expected to continue longer than normally, given reduced amounts of investment capital. However, the government hopes that the present high level of plant surplus capacity can be converted to productive output with a relatively low level of new investment.[27] (Exhibit V reveals the sharp-downturn in 1975–76 in housing industry sales which implies a large margin for increased output with given capacity. The housing industry, as noted above, is also to be stimulated by government expenditure.) In essence, it hopes to shift demand from imported

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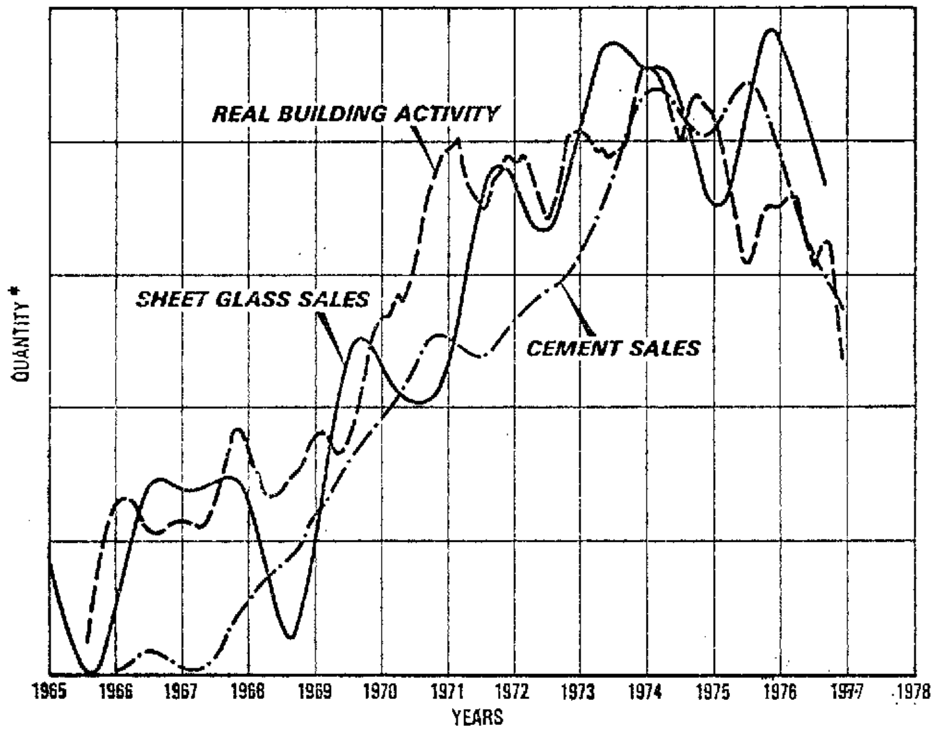
[23] *Ibid.*, p. 16.
[24] *Ibid.*, p. 16.
[25] *Ibid.*, p. 25.
[26] Total budget expenditure projected for 1977/78 is $10 billion. Of this amount $2.3 billion is to be obtained through various borrowing techniques. One technique announced in the 1977 budget speech, this one designed to inhibit the outflow of foreign capital, is a prohibition against the repatriation of profits earned before Jan. 1, 1975.
[27] However, a BER survey showed that 22 percent of productive capacity was idle in May 1977. (—Africa Report, July-August 1977, p. 42.)

goods to domestic products made more readily available to consumers through utilisation of surplus capacity.[28] This short-term strategy could reduce the current account deficit as well as provide increased earning which could be channeled into the government sector.

Exhibit V. A COMPARISON OF REAL BUILDING INDICATORS



* The scale has been omitted because of the confidential nature of some of the data.

Source: Material supplied by the BER, Chief Economist. Letter dated 3/29/77.

C. 1977 International Credit Requirements

South Africa's fundamental need for foreign capital derives from (1) its historic and continuing status as a nation with a growing economy actively trading and competing in world markets,[29] (2) the lack of a local capital market with sufficient depth to finance expansion at a rate desirable to meet both domestic and foreign demand, (3) its recently increased requirements for security and self-sufficiency, and (4) its high demand for capital goods and technology imports. The latter is of particular importance because, although South Africa does possess a significant research and development capability, it still urgently needs to acquire from abroad new technological capabilities to help maintain its competitiveness in world markets.

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[28] 1977 Budget Speech. *op. cit.*, p. 9.

[29] South Africa's annual exports and imports are each equivalent in value to approximately 25 percent of its GDP. The magnitude of trade, much of it financed by international credits, is not only important, it is fundamental to the well being of the South African economy. In 1976, the U.S. became South Africa's major source of imports, followed closely by Britain and West Germany.

More specifically, international credit requirements in 1977 will be determined by the need to service debt, the trade balance, and new term lending required for the investment to stimulate growth. South Africa may be in the market for approximately $1 billion in new credit in 1977, most to service its substantial borrowing from international commercial banks in the 1974–76 period.

To service its $7.6 billion in international bank credits South Africa must repay $3.4 million in principal and an estimated $.6 million in interest in 1977.[30] An estimated $2.6 billion (see above, p. 62), of the $3.4 billion is short-term credit which is typically rolled-over but the estimated $.8 billion in maturing term lending and the estimated $.6 billion in interest gives $1.4 billion which must be repaid in 1977.

This repayment schedule is sufficiently sizable as to place South Africa in a awkward repayment position in 1977. A financial squeeze may be in the making. In 1976, when international credit was available in large quantities, South Africa engaged in foreign exchange transactions which gave it $1.2 billion in credits to meet balance of payments needs (see Table 19, p. 62, column entitled "Change in net gold and other foreign reserves owing to balance of payments transactions"). These credits were obtained from the IMF [31] and from a reported near $500 million gold swap with Switzerland.[32]

In April 1977 South Africa arranged another gold swap [33] and suspended the gold reserve requirement of the Reserve Bank.[34] It is likely that this was done to help meet short-term obligations as its net foreign assets dropped over $300 million from the previous month, a reduction probably representing repayment of foreign debt with foreign exchange obtained through the gold swap.[35] South Africa has also drawn its reserves down $112 million in the first six months of 1977.[36] The gold swap, the suspension of the legal requirement that gold reserves be maintained at a specified level, the reduction in net foreign assets—each of which occurred in April 1977—and the reduction in reserves, all suggest that South Africa is having difficulty obtaining adequate levels of credit in 1977.

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[30] Campbell, Mary and Francis Ghiles. New Data on LDC debt. *The Financial Times.* June 17, 1977. p. 32 for the $3.4 billion figure which is attributed to the BIS. Assume an average interest rate of 8 percent on the $7.6 billion for the $.6 billion interest figures. [The international bank repayments are the only important repayments in 1977. The bulk of the IMF repayments fall due in 1979 and repayment on bond indebtedness is estimated at $100–200 million.]

[31] South Africa is also eligible to negotiate another standby arrangement with the IMF for a maximum of $267/SDR232 million. It is also likely that IMF articles will be ratified this year to provide new country quotas. Together, these times could give South Africa access to another near $500 million in credit, much of which could become available in 1978.

[32] Various sources. Although details on the gold swap are not publicly available, a typical arrangement would involve a South African sale, at a market-related price, with an option to buy back at or within a specific time period at a specific price. It is likely that the gold swap is accounted for in the $710 million drawndown on its foreign assets which South Africa registered last year. (IMF, International Financial Statistics, June, 1977. p. 324.

[33] South African Digest. May 6, 1977. p. 4. In this article the Governor of the Reserve Bank (SARB) stated that the gold swap was to "ensure the adequacy of the bank's foreign exchange holdings during the period ahead" and noted that the holder would not sell the gold on the market but that it would revert back to the SARB on the "various due dates of the agreement." The country with which the gold swap was arranged and the amount was not designated.

[34] The South African Reserve Bank was "legally required to maintain minimum gold reserves equal to 25 percent of public liabilities less assets" until the Minister of Finance announced on April 25, 1977 that this requirement was to be suspended. (IMF Survey. May 16, 1977. p. 159).

[35] South Africa's gold reserves are almost certainly now less than one-half their 1975 end-year value of $716 million. At end-year 1976 they were $431 million and a sale-swap of gold reserves of $70 million would have reduced this to one-half the 1975 end-year position.

[36] South Africa's reserves have fallen from $1216 million in 1975 to $940 million in 1976 to $828 million at end-June 1977. Reserves now equal approximately one month of imports which leaves little room, if any, for further reduction. (Chase Manhattan. International Finance, July 25, 1977. p. 8, for the $828 million figure.)

South Africa's payments position will be eased however, due to a much improved trade balance, going from a $1.7 billion current account deficit in 1976 to a probable balance or even surplus in 1977. The BER projected a 28 percent increase in export earnings [37] which would improve the current account by $1.5 billion and if the price of gold stays around the $150 an ounce mark for the year this will add an additional $0.5 billion in income. Other things being equal this would yield a $300 million current account surplus for 1977 and, in fact, by end-May 1977 South Africa has already achieved a surplus on current account for the first five months of the year of $123 million.[38]

Thus, in order to pay the estimated $4 billion in principal and interest which South Africa owes the international banks in 1977, it would appear that it would roll over its $2.6 billion in short-term credits and cover $300 million with its possible current accounts surplus, leaving $1.1 billion to come from new borrowing or other sources.

South Africa does have $1.7 billion in credit commitments from international commercial banks which had not been disbursed by end-year 1976.[39] While some of this could theoretically be used to service debt, the assumption is that the bulk of this money has already been earmarked to pay for capital goods placed on order when the loan commitment was made and to be disbursed to South Africa to pay foreign manufacturers upon delivery of these goods.

In fact, under normal circumstances, South Africa's stage of development and development capability is such that it should be importing around $1 billion annually in new foreign capital.[40] This figure, coming from experienced observers, is further supported by a calculation relating capital goods import requirements to growth. If South Africa were to achieve 2.5 percent growth in GDP for 1977, a figure projected by the BER,[41] it would need to borrow $869 million in new international credits in 1977.[42]

Given the increasingly capital intensive nature of the economy, the ongoing infrastructure projects, and the security-related goals of greater economic self-sufficiency and an improved defense capability,

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[37] BER. 1977 prospects. *op. cit.* p. 8.

[38] *South African Digest*, op. cit. June 24, 1977. p. 1.

[39] Campbell. *op. cit.* p. 32.

[40] Director, Barclays NB of South Africa, *op. cit.*; Private banking sources; The BER. The BER projected a net capital inflow requirement of $1,350 million for 1977. op. cit., p. 9.

[41] BER, *Ibid.* p. 20.

[42] The $869 million is derived from the following calculation which focuses on foreign exchange earnings required for capital goods imports. The assumptions are an organically integrated economy, which South Africa is, and a projected real growth rate in GDP of 2.5 percent which is the BER projection. The calculation which flows from this figure is as follows: $33.376 billion (1976 GDP) times 0.025 (projected growth in GDP which equals $834 million (estimated real GDP growth in 1977). The $834 million is multiplied by the capital output ratio of 2.56 (Dagat, *op. cit.*, p. 16. 2.56 is 1970's average), which is $2,135. $2,135 is multiplied by the percentage of fixed capital imports over gross domestic fixed investment as averaged over 1966–76 which is 0.407. The result, $869 million, is the projected increase in net foreign exchange earnings required to pay for the fixed capital goods imports required to attain a growth rate of 2.5 percent in 1977.

This 1977 projection will be difficult to reduce from a capital output standpoint in that the capital output ratio is increasing, i.e., more units of capital are required per unit of production. The reasons were outlined by a former director of Barclay's National Bank of South Africa as follows:

"First, our production methods (characterized by increasing automation and mechanization) are becoming more capital-intensive requiring ever increasing investment in plant, machinery and equipment. Second, rapid technological change tends to quicken obsolescence and thus replacement investment. Third, high level technology requires the allocation of an increasing proportion of capital resources on research and development. Fourth, raising social aspirations and accompanying relatively rapid changes in the community's demands are probably leading to a good deal of malinvestment—dare one mention television—thereby destroying part of our capital stock and necessitating a high rate of replacement investment. Fifth, rising labour costs and low levels of labour productivity under today's conditions of relatively full employment are probably resulting in the substitution of labour by capital to an ever increasing extent. Nowhere is this more true than in my own industry—banking—where we are forever seeking ways of being less dependent on capricious labour. In fact even if we could find the labour, in today's conditions we would be unable to process current volumes in the time available, thus we are obliged to invest more and more in automation."

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it would appear that South Africa would seek—in addition to the $1 billion in new credit needed to service debt—approximately $1 billion in term lending in 1977 in order to stimulate growth.

However, statements by South African officials and their creditors indicate that a degree of restraint is now being observed in the credit relationship—on the debtor side in the requesting of funds and on the creditor side in the granting of funds. Both the South African Reserve Bank and the Ministry of Finance have stated that they have decreased expectations in this regard and some U.S. commercial bank officers state that medium-term lending to South Africa is in abeyance until political and economic conditions improve.[43] No term loan commitments, in fact, were recorded during the first two quarters of 1977 although reports of new credits extended appeared in July 1977.[44]

In sum, beyond the financial pressures which derive from the need to service its international debt, the sharply reduced availability of longer term credits which are so important to economic growth will not serve to build confidence in a political economy with a high level of black unemployment and labor unrest [45] and with little immediate prospect for economic growth.

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[43] With respect to U.S. spokesmen, this is a generalization from a number of sources, each of which might offer some variation on this statement. For some, concern about an improvement in political conditions refers to the dismantling of apartheid with economic conditions being a lesser concern.

On the South African side, see the statement by the Minister of Finance, page 90, and the following from the SARB Quarterly Bulletin, December 1976, p. 1:

". . . a smaller net inflow of capital from abroad can be anticipated during the year ahead than during the preceding two years. Political developments in Southern Africa will, of course, have an important influence on capital inflows to South Afica. If the net inflow of capital should run at a lower level in the near future, the current account deficit will also have to be smaller with a concomitant lower real growth rate than would have been possible with a higher level of capital inflow. In such circumstances, austerity in general, and the generation of a higher level of domestic saving will be called for."

However, the desirabilty of obtaining such credits remains as suggested by the Minister of Finance in his 1977 budget speech: "It is my intention, as State revenue becomes more buoyant and as foreign loans become more readily available, to reduce the percentages (of the assets of financial institutions to be channeled to the government) wherever practicable."

[44] A *Financial Times* publication reported a $60 million Eurocurrency loan to Black Mountain Mineral Development Co. of South Africa with Citibank as the lead manager. (Euromarket Letter. July 15, 1977. pp. 4–5). Africa magazine reported that a consortium of 12 banks was preparing a $138 million loan for South Africa. (Canadians Invest in Apartheid. *Africa*. June 1977. p. 97.) Placement of the first Eurobond issue since January 1977 was reported in July. The *Financial Times* reported that SARH had privately placed a DM35 million Eurobond with financing aranged by B–H–F. (Campbell, Mary. Eurobonsd: S. Africa rail DM35m. issue. *Financial Times*. July 20, 1977. p. 20.) Manufacturers Hanover and Kidder Peabody were also listed as underwriters. (*International Bond and Eurocurrency Financing Review*. AGEFI Press Ltd. July 15, 1977. p. 5).

[45] Wright, Robin. "South African Township's Scars Remain. The *Washington Post*. June 16, 1977, p. 16.

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PART 3

SUBCOMMITTEE POLICY ON CONFIDENTIALITY AND AVAILABILITY OF DATA CONTAINED IN THE SURVEY OF U.S. CORPORATIONS

The Subcommittee on African Affairs will respect the right of confidentiality of any corporation which participated in this survey. However, unless confidentiality was specifically requested, the Subcommittee's policy is to regard the data collected in this survey as public information. Due to financial constraints, the punch cards and printouts used in the data processing are not available. However, individual replies received from the 260 firms which were sent questionnaires by Senator Dick Clark, Chairman of the Subcommittee on African Affairs, may be read in our offices by members of the public who make their requests in writing to the Senate Foreign Relations Committee, Dirksen Senate Office Building, Washington, D.C. 20510, for the attention of Nancy Richards Akers. For further information, call (202-224-9032).

SURVEY OF U.S. CORPORATIONS IN SOUTH AFRICA

I. INTRODUCTION

ORIGIN OF SURVEY

In September 1976, the Senate Foreign Relations Subcommittee on African Affairs conducted a series of hearings entitled, "South Africa: U.S. Policy and the Role of U.S. Corporations." At that time, testimony was received from lobbyists, academicians, journalists and representatives of the business community and federal government agencies. To supplement the hearing record, Senator Dick Clark, chairman of Subcommittee on African Affairs, directed that a questionnaire be sent to American firms with business activities in South Africa for a broader study of U.S. corporate interests in that country.

QUESTIONNAIRE

The questionnaire was written for the Subcommittee by Desaix Meiers III, a consultant with the Investor Responsibility Research Center (IRRC). The majority of the questions were taken from a previous IRRC survey on labor practices of U.S. companies in South Africa. The IRRC report was designed to assist investors in assessing the practices of portfolio firms. At the request of the Subcommittee, the scope of the questionnaire was broadened to include foreign policy and political issues. Three new series of questions were added relating to: a) corporate representations to the South African Government; b) corporate representations to the United States Government; and, c) future investment plans. In addition, firms were asked to describe the changes which they anticipate in South Africa within the next five to ten years, and how these changes might affect their business operations. (See Appendix A.)

THE SAMPLE

The basis of the Subcommittee sample was the May 1976 Directory of American Firms, Subsidiaries and Affiliates Operating in the Republic of South Africa prepared by the U.S. Consulate General in Johannesburg. The Directory was compiled by the Commercial Section "based upon information provided by the companies involved." It purports to include only those companies in which there is "substantial" U.S. investment in stock, ownership or as a partner, and to eliminate firms operating under contract, license or on a commission basis. (See Appendix B.)

In October 1976, Senator Clark forwarded the questionnaire to each of the 312 corporate names appearing on the Consulate General's list. Although there are 312 entries on that list, many of them are multiple offices of single firms. The actual number of individual firms listed is 260.

The Subcommittee found that the Consulate General's Directory is neither an exhaustive nor a fully accurate list of U.S. firms operating in South Africa. Seventeen (17) of the companies contacted informed the Subcommittee that they had either discontinued their South African operations, or had never had business operations there at any time. Others indicated that they did in fact operate on a license or commission basis, but declined to complete the questionnaire because they had no direct supervision over the South African operations. In addition, the Consulate General's Directory omits many firms which appear in other listings of American firms with business operations in South Africa. Thus, such companies as Bethlehem Steel, Canada Dry, Atlantic Richfield and United Technologies were not sent questionnaires.

It is important to bear in mind that there is no definitive list of American firms with business activities in or with South Africa. No United States Government agency could provide one to the Subcommittee. The most likely source, the Commerce Department, does not keep track of private business activities abroad. The Department explained that it would involve a massive bureaucracy to monitor U.S. investments and business operations overseas and that such monitoring might infringe on the corporate right to privacy. The Department also pointed out that the term "business activities" is imprecise; individual firms may or may not feel that it applies to their activities.

Private publications which attempt to list American firms with business activities in South Africa are also incomplete or inaccurate. For example, the World Trade Academy Press and Barbara Rogers, author of *White Wealth and Black Poverty: American Investments in Southern Africa*, have compiled lists including firms which informed the Subcommittee they had no business operations in South Africa.

In view of the foregoing, the Subcommittee was unable to survey all American businesses operating in South Africa which are estimated to number approximately 300. Nevertheless, this study represents the broadest examination of American business activities in South Africa that is available to date.

SUMMARY OF COMPANY RESPONSES

A draft report was prepared in the Spring of 1977. At that time, completed questionnaires had been received from fifty-one (51) firms; a total of 130 companies (50 percent) had not responded in any way. In June 1977, a follow-up letter was sent to the firms which failed to respond, and in July and August 1977, the committee staff telephoned each of the remaining firms from which a response was still outstanding. The Subcommittee exerted every effort to ensure that all the firms on the list had been contacted in order that a response could be recorded for each.

As of September 8, 1977, every nonrespondent, except for Muller and Phipps, had been reached by letter or by phone. A total of fifty-four (54) firms never replied to the Subcommittee, even after these repeated contacts. A total of seventy-five (75) firms, representing 30 percent of the sample, returned the questionnaires with all or nearly all of the data requested. A total of one hundred and thirty-one (131) firms responded but, for a variety of reasons discussed in the following section, declined to complete the questionnaire.

BREAKDOWN OF COMPANY RESPONSES

Of the 260 questionnaires sent out by the Senate Foreign Relations Subcommittee on African Affairs, a total of 205 responses (including completed and incompleted questionnaires) were received. One questionnaire sent to Muller and Phipps was returned to the Subcommittee marked "no forwarding address." The following 54 firms representing roughly 20% of the total sample did not respond to the Subcommittee in any way:

AAF International Co.
Addressograph Multigraph Corp.
Applied Power Inc.
Automated Building Components Inc.
Berkshire International Corp.
Black Clawson.
Bucyrus-Erie Co.
Carnation International.
Cheeseborough-Ponds Inc.
Coca Cola Export Corp.
Columbus McKinnon Corp.
Dames & Moore.
Dart Industries Inc.
Del Monte Corp.
DHJ Industries Inc.
Dresser Industries Inc.
Dubois International
Echlin Manufacturing Co.
Ferro Corp.
G. D. Searle & Co.
Gardner-Denver Co.
Gates Rubber Co.
Geo. J. Meyer Manufacturing.
Heublein International.
International Flavors and Fragrances Inc.
J. A. Ewing & McDonald Inc.
Johnson & Johnson.
Masonite Corp.
Max Factor & Co. Inc.
Measurex Corp.
National Chemsearch Corp.
National Standard Co.
National Starch & Chemical Corp.
Newmont Mining Corp.
A. C. Nielson International Inc.
Pan American World Airways Inc.
Parker Pen Co.
Parke, Davis & Co.
Parker Hannifin Corp.
Perkin-Elmer Corp.
Permatex Inc.
Phillips Bros.
Pizza Inn Inc.
Precision Valve Corp.
Ramsey Engineering Co.
Revlon Inc.

Rexnord Inc.
Robbins Co.
S. C. Johnson & Sons Inc.
Scholl Inc.
Tampax Inc.
Timkin Co.
Titan Corp.
Trane Co.

Seventy-five firms or 30 percent of the total sample provided all or nearly all the data as requested on the questionnaire. The information from all these firms is the basis of the aggregate analysis:

AFIA Co.
A. H. Robins Co.
Abbott Laboratories.
American Express Co.
Arthur Anderson & Co.
Batten, Barton, Durstine & Osborn Inc.
Blue Bell Inc.
Borden Co.
Borg-Warner Corp.
Bristol Myers International Corp.
Caltex Petroleum Corp.
Carborundum Co.
Cascade Corp.
J. I. Case International
Caterpillar Tractor Corp.
Celanese Corp.
Colgate-Palmolive Co.
Rockwell International Corp.
Control Data Corp.
CPC International Inc.
American Cyanamid Co.
Donaldson Co.
Dow Chemical Co.
Dun and Bradstreet Inc.
Eastman Kodak Co.
Envirotech Corp.
ESB Inc.
Esso Africa Inc.
F & M Systems Co.
Federal Mogul Corp.
Firestone Tire & Rubber Co.
Ford Motor Co.
General Electric Co.
General Motors Corp.
Geosource Inc.
Gillette Co.
Goodyear Tire & Rubber Co.
Grolier Inc.
Helena Rubinstein Inc.
Honeywell International Inc.
IBM.

International Harvester Co.
ITT.
The John Deere Co.
Kellogg Co.
Kendall Co.
McGraw-Hill Book Co.
M & T Chemicals Inc.
Merck, Sharp & Dohme Inc.
Miles Laboratories Inc.
Mobil Oil Corp.
Monsanto Co.
Nabisco Inc.
Nashua Corp.
NCR Corp.
Norton Co.
Otis Elevator Co.
Preformed Line Products Co.
Pfizer International Inc.
Schering Plough Corp.
Richardson-Merrell Inc.
Simplicity Pattern Co.
Singer Co.
Smith, Kline & French Laboratories.
Standard Brands Inc.
Tokheim Corp.
TRW Inc.
Van Dusen Air Inc.
Valvoline Oil Co.
Walter E. Heller International Corp.
Warner Lambert Co.
Wilbur-Ellis Co.
Union Carbide Corp.
W. R. Grace and Co.
Eli Lilly and Co.

Because responses and completed questionnaires trickled back to the Subcommittee over a seven-month period it was necessary to establish a cut-off date. None of the questionnaires received for analysis after September 8, 1977 were included in the aggregate data and final report. The following firms completed the questionnaire, but their responses were received by the Subcommittee after September 8: The Inmont Corp.; Beckman Instruments Inc.; and Texas Gulf Incorporated.

Bulova Watch Company Incorporated reported that they completed the questionnaire, but did not forward it to the Subcommittee. Bulova's response is available through the firm's New York Office.

American International Group Inc. submitted its completed questionnaire in October, 1977. It is available in Committee files.

Eleven (11) companies acknowledged receipt of the questionnaire, or contacted the Subcommittee to indicate that the data was being considered and a response would be forthcoming. As of September 8, the final responses from these firms were still outstanding:

American International Group Inc.
Fram Corp.

Hoover Co.
Interpublic Group of Companies Inc.
Mine Safety Appliances Co.
Motorola Corp.
Readers Digest Association Inc.
Tenneco International Corp.
U.S. Filter Corp.
West Point Pepperell Inc.
XM World Trade Inc.

Of the 205 firms which responded to the Subcommittee, 108 declined to provide the data requested on the questionnaire, citing seven basic reasons: (1) it was "not applicable" to their business operations in South Africa; (2) the firm did not have any supervisory authority over the South African operation; (3) the firm had disposed of all South African operations; (4) the firm did not have a subsidiary in that country; (5) the necessary data was not available; (6) the firm felt that its operations were too small to be significant; or, (7) the firm had never had any business in South Africa. In several instances, firms indicated that more than one of these conditions applied to their company. The predominant reason each firm gave for declining to complete the questionnaire is indicated below.

Nine companies did not believe the questionnaire was "relevant", "germane" or "applicable" to their business activities in South Africa:

American Bureau of Shipping.
Ampex International.
Arthur Young and Co.
Bundy Corp.
Kidder, Peabody & Co.
Macmillan Publishing Co.
Moore-McCormack Lines Inc.
Price Waterhouse and Co.
United Artists Corp.

Nine companies reported that they did not have direct supervision over any business operation in South Africa:

(1) Allied Chemical indicated it has no investments or direct operations in South Africa. Its only operations are sales on an export basis.

(2) Computer Sciences Corporation.

(3) Farrell Lines Incorporated, a shipping firm, stated that it has no shoreside operations and no South African employees.

(4) The First National Bank of Boston replied that it is a small shareholder in a South African investment; no employee of the Bank is directly involved in South African operations.

(5) J. Gerber and Company reprted it has "close association" in South Africa, but has no actual shareholding in any firm there.

(6) Hammond Corporation said it simply sells its products through an independent distributor.

(7) Preload Engineering Corporation.

(8) Rath and Strong Incorporated.

(9) Oak Industries Incorporated.

Ten companies reported that they had disposed of their operations or planned to do so in the immediate future:

(1) American Motors Corporation operations via subsidiaries in South Africa terminated "some time ago."

(2) In May 1976, the DeWitt International Corporation entered into a contractual agreement to sell its South African subsidiary to a local firm.

(3) In April 1976, Encyclopedia Britannica disposed of its subsidiary operations in Johannesburg.

(4) The Hussman Refrigerator Company stated its small sales outlet in South Africa will be terminated August 31, 1977.

(5) In 1973, Metro-Goldwyn-Mayer Incorporated discontinued their film distribution operations in South Africa; the firm is currently in the process of discontinuing all activities in that country.

(6) In September 1976, Middle West Service Company operations in South Africa ceased.

(7) In 1975, the Oshkosh Truck Corporation sold their interest in a South African joint venture.

(8) The Weyerhaeuser Company no longer has any manufacturing investments in South Africa.

(9) In 1969, Scripto Incorporated sold its investment in a South African company.

(10) Stowe Woodward Industries Incorporated no longer conducts any business in South Africa.

Nine companies replied that they did not complete the questionnaire because the information was not available in their U.S. office, or they were unable to obtain the requested data. These firms explained that the information could be obtained through an associated office in South Africa:

Avis Inc.
Champion Spark Plug Co.
Ernst and Ernst.
FMC Corp.
Heinemann Electric Co.
Ingersoll-Rand International.
Pacific Oilseeds Inc.
Rheem International Inc.
United States Gypsum Co.

Nine companies declined to complete the questionnaire because they had no subsidiary in South Africa:

ABS Worldwide Technical Services Inc.
Amchem Products Inc.
Baxter Laboratories Inc.
Boeing Co.
General Tire and Rubber Co.
Hydro-Air Engineering Inc.
Johns-Manville Corp.
Owens-Corning Fiberglass Corp.
Phillips Petroleum Co.

(The specific wording "subsidiary operations" was used in the initial cover letter and repeated throughout the questionnaire. Declinations to respond to the questionnaire reflect varying interpretations of the word "subsidiary." The term was used by the Subcommittee in its broadest sense and was intended to refer to firms which participate in the direction of South African operations. Technically, however, a subsidiary company is one having more than half its stock owned by another company. There are firms with extensive involvement and management oversight in South Africa through non-subsidiary operations. Exxon, for example, completed the questionnaire for its four affiliate firms in South Africa, even though, technically, it does not have a South African subsidiary. Other firms, such as Union Carbide, have management interests in non-subsidiary South African business, and also responded to the questionnaire.)

Seven firms reported that they did not complete the questionnaire because they do not have any operations in South Africa whatsoever:

American Airlines.
Anderson Clayton & Co.
Diners Club Inc.
PepsiCo Inc.
Samincorp Inc.
Trans World Airlines Inc.
Western Airlines.

Twenty-six companies declined to complete the questionnaire because they felt their operations were too small to be of significance:

Buckman Laboratories Inc.
Burlington Industries Inc.
CBS Inc.
Chicago Pneumatic Tool Co.
Chrysler Corp.
Dow Corning Corp.
Englehard Minerals and Chemicals Corp.
INA International Corp.
Joy Manufacturing Co.
Kimberly-Clark Corp.
Lykes Brothers Steamship Co.
P. R. Mallory and Co.
Olin Corp.
Placid Oil Co,.
Standard Pressed Steel Co.
The Stanley Works.
Sybron Corp.
Tanatex Chemical Co.
Taylor Instrument Co.
Technicon Corp.
Twentieth Century-Fox Film Corp.
United States Steel Corp.
U.S. Industries Inc.
Valeron Corp.
Warner Brothers International.
Westinghouse Electric Corp.

Twenty-four companies did not complete the questionnaire but attempted to supply some portion of the requested data:

Ayerst International Inc.
Bechtel Corp.
Burroughs Corp.
Chicago Bridge & Iron Co.
Cutler-Hammer Inc.
Diversey Corp.
Fiat-Allis Construction Co.
Hewlett-Packard Co.

Hyster Co.
International Minerals & Chemical Corp.
Interpace Corp.
LifeSavers Inc.
Maremont Corp.
Minnesota Mining & Manufacturing Co.
Nalco Chemical Co.
Phelps Dodge Corp.
International Playtex Inc.
Sperry Rand Corp.
Sterling Products International Inc.
E. R. Squibb & Sons Inc.
Twin Disc Inc.
The Upjohn Co.
Uniroyal International.
Wyeth International Ltd.

Although the information provided by these firms will be of great value to the Committee's permanent data banks, it did not follow the format of the questionnaire closely enough for in-put and aggregate analysis.

Four companies orally declined to respond to the questionnaire, and did not provide a specific reason or a written response for the Subcommittee's records:

Black & Decker.
Crown Cork & Seal.
H. H. Robertson Co.
Rohm & Haas.

One company did not complete the questionnaire because it was not company practice to do so. The Lubrizol Corporation returned the unanswered questionnaire with a notation to that effect.

Seven firms did not respond directly to the questionnaire, but had a parent or affiliate respond in their behalf:

American Can Co. (M & T Chemicals).
American Home Products (Ayerst).
Collins Radio Group (Rockwell International).
Gilbarco (Esso Africa)
Kelley Springfield (Goodyear Tire and Rubber).
Plough (Schering Plough).
U.S. Shulton (American Cyanamid).

ANALYSIS

To facilitate aggregate analysis, not all of the data requested in the questionnaire was incorporated in the final analysis. Data provided in the categories a) implementation of company policy, and b) fringe benefit programs was selected out entirely. The remaining data was further limited. For each issue analyzed, a single question or series of related questions was considered. If a firm supplied at least one response pertaining to a particular issue, it was included in the sub-sample for that issue. Analysis pertaining to each issue includes a listing of the specific responses considered, and the size of the sub-sample in question.

Firms which did not fill in the questionnaire but which submitted an essay were not automatically eliminated from the aggregate analysis. Each essay was read thoroughly and a decision to incorporate the data was based on the degree to which the supplied information conformed to the questionnaire format. Firms which provided only one or two usable pieces of data were eliminated: it seemed reasonable to expect a firm to respond to no less than 50% of the questions. Companies also provided comments in footnotes and appendices to the questionnaire. Whenever applicable or unique, these comments are included in the report.

II. AGGREGATE DATA AND ANALYSIS

OPERATIONS

Seventy-one firms provided all or a portion of this background data—

Year company operations initiated in South Africa;

Type of operations, products manufactured or sold; and

Sales as a percentage of total overseas market, and as a percentage of the South African market for that product.

In the 1880's, General Electric and Singer became the first of the responding firms to initiate business operations in South Africa. They were soon followed by several petroleum companies—Mobil in 1897, Esso in 1907, Caltex in 1911 and Valvoline (Ashland) in 1928. In addition, a number of automotive and related industries were "pioneers" in the South African market: General Motors (1926), Goodyear Tire and Rubber (1915), Ford Motor (1923) and International Harvester (1927).

These 71 companies reveal a pattern of continuing investments in that country through the early 1970's. As recently as 1972–1973, Rockwell International, Nabisco Incorporated, the Nashua Corporation, Blue Bell Incorporated, and Batten, Barton, Durstine and Osborn established their business operations in the Republic. Other firms actively expanded their initial interests and activities. For example, Union Carbide's subsidiary, Union Carbide Africa and Middle East Incorporated, currently engages in management activities of seven firms in South Africa; Union Carbide is now involved in mining, smelting, manufacturing and marketing.

Firms which indicated the nature of their operations represent a wide range of industries: 11 in pharmaceuticals; 7 in chemicals; 9 in automotive; 7 in food processing; 4 in petroleum; 3 in computers; 2 in publishing; 2 in electrical products; and 1 each in advertising, accounting, aircraft, financial, mining, telecommunications, engineering, apparel, construction, elevators and insurance.

Thirty-six of the responding firms are involved in only the merchandising and sales end of their industry. Twenty-three firms are involved in local manufacturing in addition to their sales activities.

Twelve firms are multi-product firms; they are involved in the sale and/or manufacture of two or more products. Eli Lilly, for example, sells pharmaceutical, agricultural and cosmetics product; Miles Laboratories sells food and biochemical products.

Fifty-one of the responding firms provided statistics indicating their operations in South Africa represent between 0.2 percent and 100 percent of the various sectors in which they operate.

On an average, these 51 U.S. firms claim to control 24.4 percent of the South African markets. This average, however, appears to be a grossly inflated figure due to the extremely high percentages cited by 16 respondents. According to their own estimates,

(1) Gilbarco South Africa, an Exxon affiliate, distributes 45 percent of the gasoline pumps in South Africa.

(2) Kellog's breakfast cereal sales are 41 percent of the "RTE" cereal market.

(3) Norton manufactures 45 percent, 65 percent and 90 percent of the abrasives, hand tools and buffs respectively.

(4) Geosource's liquid flow meter sales represent 85 percent of that market.

(5) W.R. Grace manufactures, markets and sells packaging materials, and construction and chemical products. These activities account for 45–90 percent of these markets.

(6) The Donaldson Company manufactures, sells and services for 40 percent of the "heavy duty air cleaner" market.

(7) Celanese operations represent 50 percent of the specialty polymers market.

(8) F & M Systems reported that their engineering services represent 100 percent of the market.

(9) The Cascade Corporation dominates 60 percent of the sales market for "handling equipment."

(10) Envirotech provides underground mining equipment for 24–40 percent of this particular South African market.

(11) Borg Warner's sales of axles and automotive components represents 55 percent of this market.

(12) Colgate Palmolive sells and manufactures soaps and detergents. Their sales account for an estimated 27 percent of the market.

(13) The Tokheim Corporation reported that their assembly and sale of gasoline pumps represent 55 percent of the market.

(14) American Express activities account for 65 percent of South African "tourist financial services."

(15) Otis Elevator sales represent 40 percent of that market.

(16) Preformed Line Products account for 40–50 percent of the market for overhead power line fittings.

The mean range represents a more accurate picture of the extent to which U.S. firms participate in various South African markets. The mean percentage for market participation ranges from just under 1 percent to 7 percent.

How these percentages translate into dollars depends of course on the size of the market under consideration. One firm, Abbott Laboratories, provided statistics which illustrate the general relationship between percentage of market participation and dollar value. In 1976, Abbott Laboratories' Pharmaceuticals sales totaled $4.8 million, or 2 percent of the South African pharmaceuticals sales market.

Forty-seven firms provided statistics indicating their South African sales represent between 0.1 percent and 36.5 percent of their companies' total overseas sales. The mean range is from less than 1 percent to 2 percent; the mean average for South African sales as a percentage of total overseas sales is approximately 0.5 percent.

EMPLOYMENT PRACTICES POLICY

Sixty-nine companies responded to one or more of these questions—

Does the company have an equal employment opportunity policy specific to South Africa?

If so, when was the policy instituted?

How is this policy communicated to workers? Verbally through local management; written and distributed to all employees; or, posted in a working place?

Forty-three companies stated that they have an equal employment opportunity policy (EEO) specific to South Africa. These policies were instituted as early as 1959 by Wilbur Ellis, and as recently as February 1976 by Goodyear Tire and Rubber. In a number of cases, firms indicated their EEO policy was initiated at the inception of business activities in South Africa.

Few firms initiated their EEO policy in conjunction with the start of the program in the United States. It was not until the 1970's that a significant number of U.S. businesses in South Africa began to institute equal employment opportunity policies.

The mean date for institution of EEO policies is late 1972; the mean range, 1971 through 1973. This period of time corresponds with the rise of U.S. public criticism of multinational practices, domestic U.S. implementation of the Civil Rights Act of 1964 through amended EEO regulations, and renewed worldwide attention toward southern Africa, apartheid and black African rights.

Twenty-five firms communicate their EEO policy to employees verbally through local management. For an additional seven firms verbal communication is one of the several ways in which they communicate their EEO policy. Thus, a total of 32 firms use verbal communication.

Ten firms put their EEO policy into writing and distribute it to all workers.

Eight firms post the policy in a working place.

Four firms communicate their EEO policy verbally when an employee is interviewed and/or hired.

Twenty-four companies do not have an equal employment opportunity policy specific to South Africa:

AFIA Co.
American Express Co.
Batten, Barton, Durstine & Osborn Inc.
Blue Bell Inc.
Cascade Corp.
Donaldson Co.
ESB Inc.
F & M Systems Co.
Federal Mogul Corp.
Firestone Tire & Rubber Co.
Geosource Inc.
The John Deere Co.
Kellogg Co.
M & T Chemicals Inc.
Monsanto Co.
Nabisco Inc.
Nashua Corp.
Norton Co.
Otis Elevator Co.
Richardson-Merrell Inc.
Rockwell International Corp.
A. H. Robins Co.
Smith, Kline & French Laboratories.
Tokheim Corp.

Several of these firms qualified their negative responses:

> JOHN DEERE. Though we do not have an equal employment policy specific to South Africa, we definitely have a practice which does not close doors to any group in terms of their gaining employment with us.
>
> NORTON CO. Our policy worldwide is to employ persons most qualified without regard to race or sex. In South Africa, a continuing objective is to increase the positions filled by Africans, coloureds and Asians, and to train these persons along with whites for larger responsibilities.

A number of South African laws designed to support and perpetuate apartheid pose obstacles to firms wishing to follow an equal employment policy. The Physical Planning Act, for example, places restrictions on expansion of business operations which would require an increased number of African employees. It is interesting to note that five of those firms which stated they do not have an EEO policy specific to South Africa have requested exemptions from the South African Government to contravene certain labor laws. The Tokheim Corporation, Norton Company, Nabisco Incorporated, the John Deere Company, and Smith, Kline and French Laboratories have requested exemptions from the Physical Planning and/or Industrial Conciliation Acts. However, they did not indicate whether or not permission was granted.

Analysis of the responses indicates that the equal employment opportunity series of questions was often misinterpreted. For example, although one question directly asks if the responding firm has "an equal employment opportunity policy specific to South Africa", a number of responsents answered "yes" and made statements to indicate their program was either worldwide or an extension of their domestic U.S. program. One firm, LifeSavers Incorporated, enclosed a copy of their domestic operations policy statement to indicate compliance with mandated U.S. EEO requirements. Schering Plough, which responded "yes," it does have an EEO policy, stated that it is "within the framework of South African law." The John Deere Company wrote:

> We believe that we are taking affirmative action to increase the upward mobility of African workers in both skill and pay, and in this sense we are an equal opportunity employer. But, we cannot say that we have the same specific programs or policies with respect to equal opportunity or affirmative action plans required by U.S. law.

Due to these inexact answers, the aggregate figures may be misleading on this issue. Although 43 firms stated that they have an equal employment policy, a substantial portion of those policies may not be specific to South Africa. Moreover, the fact that 25 of the firms rely solely on verbal communication with their workers casts further doubt as to the actual existence and implementation of these policies.

SALES POLICY

Sixty-nine companies responded to one or more of these questions—

> Does the company have a sales policy which in any way restricts the type of equipment produced or sold in South Africa?

Does the company have a policy which limits to whom certain products may be sold or for what purposes they may be used?

Fifty-eight of the responding firms answered "no" to both of the above questions.

Only 11 firms indicated having some sort of restrictive sales policy:

(1) Abbot Laboratories has a sales policy which restricts the sale of pharmaceuticals to only those products prescribed by the head office, and to only licensed medical personnel.

(2) Control Data stated that none of their installations are used for military purposes or for purposes of oppression.

(3) Monsanto's sales policy is consistent with U.S. law which restricts the use of certain chemicals to specified industries.

(4) NCR Corporation does not sell any equipment to South African military or nuclear energy organizations.

(5) Rockwell International stated that they comply with U.S. Government restrictions on military sales, and enforce a "general no trade policy with Rhodesia."

(6) TRW limits their products to those which are commercially viable for production and sale in South Africa.

(7) Dun and Bradstreet has a worldwide policy which limits to whom products may be sold. Their answer did not specify the nature of this limitation.

(8) ITT indicated that none of their equipment is sold to the South African military.

(9) IBM does not ship or sell any military equipment in South Africa. In addition, the firm reported that it complies with all U.S. Government regulations and licensing requirements regarding sales to the South African Nuclear Energy Board.

(10) General Electric conforms to "all applicable U.S. laws and regulations including restrictions and regulations concerning U.S. exports and offshore operations."

(11) Warner-Lambert indicated their pharmaceuticals sales are controlled by government regulations.

These restrictive sales policies do not represent socially conscious action on the part of U.S. firms. Rather, they indicate compliance with U.S. export license regulations, and United Nations sanctions against Rhodesia.

On the basis of these sales policies, it may be concluded that U.S. firms are not conducting their business operations in a manner which would indicate clear or active disapproval of the apartheid system, nor are they exerting any obvious leverage on the system for change. Only one respondent, Control Data, indicated a self-imposed restriction to avoid business transactions which might support the continuation of apartheid.

EMPLOYEE POPULATION

Sixty-nine firms answered one or more of the following questions—

How many hourly workers does the subsidiary have? (Disaggregated into Afiican, White, Coloured and Asian persons.)

How many salaried workers does the subsidiary have? (Disaggregated into African, White, Coloured and Asian persons.)

The 69 responding firms employ a total of 36,742 persons in South Africa. The number of workers in each firm ranges from 6 up to 4,813. The mean range for an employee population is between 20 and 250 persons; the mean average employee population is 116 persons.

A small number of firms employ between 500 and 1,000 persons in their South African operations. In addition, there are eight firms whose employee populations are excessively larger than those of the other responding firms:

(1) Caltex has 1,932 workers;
(2) Goodyear Tire and Rubber has 2,925 workers;
(3) Ford Motor has 4,813 workers;
(4) Firestone Tire and Rubber has 2,429;
(5) ITT has 3,900 workers;
(6) Union Carbide has 1,545 workers;
(7) General Motors has 4,800 workers;
(8) IBM has 1,457 workers; and
(9) General Electric has 1,945 workers.

Twelve firms did not thoroughly disaggregate the information as requested:

Arthur Andersen & Co.
Carborundum Co.
CPC Inc.
Dun & Bradstreet Inc.
Eastman Kodak Co.
Esso Africa Inc.
General Electric Co.
General Motors Corp.
IBM.
ITT.
Pfizer International Inc.
Union Carbide Corp.

Partial data was provided by several of the companies which did not completely disaggregate their employee population. Exxon, on behalf of Esso Africa, indicated its four affiliates employ 451 persons in South Africa. Dun & Bradstreet employs 400 salaried personnel. ITT has 3,900 employees, of which 2,700 (69 percent) are "black." General Motors disaggregated its 4,800 employee population to indicate hourly workers as follows: 989 white, 1,954 coloured and 630 African. IBM stated that of its 1,457 employees, 14.1 percent are "non-white." General Electric supplied a combined figure for coloured and Asian employees. The other five firms only disaggregated the racial composition of their personnel; method of payment was not provided.

Based on the disaggregated data provided by 63 firms, the racial composition of personnel employed by these U.S. firms in South Africa breaks down into 9,150 Africans, 12,228 whites, 5,016 coloureds and 629 Asians. Since most firms employ very few Asians, it is interesting to note that one company, Blue Bell Incorporated, has 210 Asian personnel, that account for one-third of all Asians employed by this sample of U.S. firms. In addition, Blue Bell employs more Asians in relation to its total work force—the firm has only 43 African, 29 white, and 20 coloured employees.

The information provided by 59 firms shows that the racial composition of personnel and method of wage payment is as follows:

	Salaried	Hourly	Total
White	8,704	3,003	11,707
African	1,276	7,121	8,397
Colored	546	3,964	4,510
Asian	238	291	529
Total	10,764	14,379	25,143

Eighteen firms indicated that all of their employees are paid on a salaried basis:

AFIA Co.
American Express Co.
Batten, Barton, Durstine & Osborn Inc.
Cascade Corp.
Caltex Petroleum Corp.
Caterpillar Tractor Co.
Control Data Corp.
Dow Chemical Co.
Dun & Bradstreet Inc.
Eli Lilly Co.
Geosource Inc.
Grolier Inc.
McGraw-Hill Book Co.
Nashua Corp.
NCR Corp.
Simplicity Pattern Co.
Singer Co.
Walter E. Heller International Corp.

These 18 firms employ a total of 4,468 persons, of which 67 percent are white.

Twelve firms do not have any salaried African workers:

Borg Warner Corp.
Celanese Corp.
Donaldson Co.
ESB Inc.
J. I. Case International.
Kendall Co.
M & T Chemicals Inc.
Preformed Line Products Inc.
Rockwell International Inc.
Helena Rubinstein Inc.
Tokheim Corp.
Wilbur-Ellis Co.