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Southern Rhodesia

Security Council Condemns Invasions of African States by the Illegal Régime and Its So-Called Elections

Recent developments in Southern Rhodesia were considered by the Security Council at four meetings held from 4-8 March 1979 at the request of the African States. In a resolution adopted on 8 March, by 12 votes to none, with 3 abstentions (France, the United Kingdom and the United States), the Council strongly condemned "the recent armed invasions perpetrated by the illegal racist minority régime" in Southern Rhodesia against Angola, Mozambique and Zambia, and also condemned "all attempts and manoeuvres by the illegal régime, including its so-called elections of April 1979, aimed at retaining and extending a racist minority rule and at preventing the accession of Zimbabwe to independence and genuine majority rule".

The Council declared "any elections held under the auspices of the illegal racist régime and the results there-

of null and void" and said that no recognition would be accorded either by the United Nations or any Member State to any representatives or organ established by those elections. It urged all States to refrain from sending observers to the elections and to discourage organizations and institutions within their jurisdictions from doing so.

Finally, the Council asked its Committee on sanctions against Southern Rhodesia to consider measures for strengthening and widening those sanctions and to submit its proposals to the Council promptly.

During the course of the Council's debate, it heard a statement by Callistus Ndlovu, representative of the Patriotic Front of Zimbabwe; and by Mogolori Modisi (Botswana), speaking on behalf of the front-line States. Excerpts from their statements follow.



Callistus Ndlovu, Representative of the Patriotic Front of Zimbabwe

The people of Zimbabwe have, in their just struggle to regain their national independence, recently made giant strides in the direction of achieving majority rule in their country. They have inflicted heavy blows on the Smith régime. The entire population, the struggling masses of Zimbabwe, have been mobilized behind the patriotic forces, which have now carried the war right to the doorstep of Salisbury, the heartland of racism and “settlerism” in Zimbabwe. Our war of liberation has driven the racist minority régime from most of the country, with the countryside falling rapidly into the control of the Patriotic Front forces. The urban centres, which until recently were safe havens for the Rhodesian ruling class, have been heavily infiltrated by our forces, and recently the Council has witnessed the evidence of this in the attack on Salisbury itself.

Having lost effective control over 90 per cent of the country, the régime of Ian Smith has taken to desperate and serious acts of aggression against the defenceless civilian African population inside the country and the peoples of the neighbouring countries, of Angola, Botswana, Mozambique and Zambia. In its war against patriotic forces, the Rhodesian régime has never pretended to respect even the elementary rules of international law, nor has it shown any concern for human life when dealing with African civilians. The régime does not

accord prisoner-of-war status to captured freedom-fighters. Freedom-fighters captured in battle have been either summarily executed or tried *in camera* and hanged. The African civilian population remotely suspected of either colluding with freedom-fighters or failing to report their presence has been collectively subjected to the same kangaroo-court form of justice, if not wantonly bombed and massacred indiscriminately.

To say that the Smith régime has abandoned all elements of acceptable due process in dealing with freedom-fighter suspects is an understatement. The régime's Indemnification Act places members of its security forces above the law, because under the provisions of that notorious law no member of the security forces can be prosecuted for crimes which he commits on patrol duty — however callously — against the defenceless civilian population. This blanket exemption from prosecution of members of an army or a police force made up of mercenaries, adventurers or outlaws explains the ever-mounting civilian casualties in the war of Ian Smith.

The Rhodesian strategy in the war has been to inflict as many casualties on the civilian African population as possible. The present policy of the régime is to kill at least 30 Africans for every one white settler killed. In pursuit of this genocidal policy, which does not distinguish between combatants and non-combatants, the



The Security Council (opposite) voting on 8 March 1979 to condemn Rhodesia's invasions of African States and its so-called elections. (Right) Callistus Ndlovu, of the Patriotic Front of Zimbabwe, addressing the Council.

régime's forces have made the civilian African population inside the country and refugees in the neighbouring countries their chief targets. In most cases, this has also included unprovoked attacks on the civilian populations of Botswana, Mozambique and Zambia, and now Angola. In these mindless attacks on civilians, the régime's forces have used incendiary weapons, particularly napalm bombs. These have been used on refugee camps in Mozambique and Zambia. Incendiary weapons have also been used to destroy villages and crops in areas suspected of supporting freedom-fighters. The régime's forces have also poisoned wells, boreholes and other sources of water, thereby creating indiscriminate hazards to human and animal life alike.

It is important that this august body should ask how a puny army like that of Ian Smith, drawn from an ever-dwindling white population, can have such a military capability as to strike even a place as far away as Angola. Having virtually lost the war on the ground, the forces of the régime have increasingly resorted to air raids on villages suspected of harbouring freedom-fighters and refugee bases in neighbouring countries. In some of its most savage raids into neighbouring Zambia, Mozambique and Angola, the régime has used French-made Mirage jets. It has been recently revealed that the South African régime has been loaning its French-built Mirage jets and pilots to Rhodesian forces to conduct raids into neighbouring countries. The raid into Angola a few days ago was staged by the South African air force based in the Caprivi Strip. The revelation of this fact that the raid on Luso in Angola was staged from the well-known South African air-base in the Caprivi Strip unmasks the myth that the Rhodesian air force has the capacity to strike as far as it wants in southern Africa. The involvement of South Africa in these desperate attempts to apply artificial respiration to the dead Rhodesian régime should surprise no one, given the presence of South African forces in the Rhodesian army itself.

We call upon the international community to condemn South Africa for intervening in the internal affairs of Zimbabwe.

By making South Africa the key to a negotiated settlement on Zimbabwe, the Western Powers, particularly Britain and the United States, have extended to the South African régime a false sense of respectability which has encouraged that régime to try to influence events in Zimbabwe openly. Although South Africa had been directly aiding the Smith régime even before the Western initiative on Zimbabwe, we contend that once Britain and the United States predicated any negotiated solution of the Rhodesian problem on the co-operation of the South African régime, and linked such a solution to the solution of the problems of Namibia, they gave the South African régime undue influence over the situation in Zimbabwe. Because both the South African and the

Rhodesian régimes were able to see through the incoherence of the Anglo-American approach to the problems of both Zimbabwe and Namibia, these régimes took advantage of the leverage which had been bestowed upon South Africa by the Western Powers vis-à-vis the Rhodesian problem. Today, both these régimes have concocted internal settlements in both Zimbabwe and Namibia, taking advantage of Anglo-American indecisiveness.

Since the two minority régimes began co-ordinating their responses to the conceptually incoherent Anglo-American approach to the problems of southern Africa, they have exchanged crucial military information. It is for that reason that South Africa's air raid on Kassinga in Angola was later replicated in the Rhodesian raids into Zambia in October 1978. The same applies to South Africa's assistance to the Smith régime in the raid into Angola this week.

The Western countries whose function has been to sustain both minority régimes, in Southern Rhodesia and South Africa, must accept responsibility for the reckless acts of aggression of the Smith régime. Although some of these countries have publicly expressed support for United Nations economic sanctions against the régime in Salisbury, they have done nothing to stop their citizens from trading with that régime. The evidence of French, British, American, West German and Israeli manufactured arms and the participation of such nationals as mercenaries in the Rhodesian army show the extent to which Western countries are involved in sustaining the racist régime in Salisbury. We call upon the Security Council Sanctions Committee to consider measures for tightening up and widening the economic sanctions against the régime of Southern Rhodesia.

Those who think that they are helping their kith and kin by violating sanctions against the Smith régime must realize that they are contributing to the régime's intransigence over the issue of a genuine transfer of power to the majority, and this in the long run will harm the interests of the white minority which they think they are helping. An effective application of economic sanctions against the régime would quickly force the régime to face the reality that it can no longer live on borrowed time. The support that the régime enjoys from certain Western circles has made Smith think that he can temporize over the future of the country and probably get away with anything short of a genuine transfer of power.

His 3 March 1978 so-called internal settlement — which he has since mutilated by renegotiating some of its basic terms — is just an example of how Mr. Smith has been taking advantage of what he thinks is Western tacit approval of his actions. When Britain and the United States failed to come out openly in opposition to his so-called internal settlement, Mr. Smith was encouraged into drawing more adventurous schemes designed to maintain and entrench minority rule in Zimbabwe. By

co-opting black puppets into his régime, Mr. Smith sought to blunt the criticism of his régime by liberals in both Britain and the United States. In fact, because of the presence of Abel Muzorewa and Ndabaningi Sithole, who in no sense are sharing power with Smith, many liberals now fear to criticize the Rhodesian régime lest they be accused of racism. This liberal guilt syndrome explains the confused responses in Washington and London to the 3 March agreement. Mr. Smith is exploiting this state of affairs to the full.

Members of the Security Council have, I am sure, read about moves in London and Washington to send observers to Smith's sham elections scheduled for 20 April 1979. In the United States Senate, Republican Senator S.I. Hayakawa, of California, and Democratic Senator George McGovern, of South Dakota, on 28 February 1979 announced their plan to introduce a Senate resolution calling for a team of observers to monitor the Rhodesian elections to be held on 20 April. Although both Senators claim that "the proposed dispatch of observers must not be construed to be an implicit or explicit support of the internal settlement", there is no blinking the fact that Senator Hayakawa was one of the 27 United States Senators who invited Ian Smith and his blacksmiths to the United States and vigorously campaigned for their admission. At that time he made no secret about how good he thought the so-called internal settlement was. Senator McGovern may claim that "it should be clarified that Senator Hayakawa and I continue to hold very different views of the present Rhodesian situation", but the fact remains that by co-sponsoring a Senate resolution to send observers to an election taking place under an arrangement which has been pronounced "illegal and unacceptable" by the United Nations, he is virtually according recognition to the 3 March 1978 agreement. It does not matter how he tries to justify or rationalize his actions. The fact remains that in Salisbury his actions will be interpreted to mean that he believes there is a chance that fair and democratic elections can be held under the provisions of the 3 March agreement and in circumstances of war.

The issue is not whether fair and democratic elections can be conducted but whether the provisions of the so-called settlement are fair and democratic. One does not expect elections held under an unfair and undemocratic Constitution to be fair and democratic. To expect such an outcome would be as absurd as to expect to be able to make fried ice.

The provisions of the 3 March 1978 agreement reached between Smith and his blacksmiths were pronounced illegal and unacceptable by the Security Council, and as such are null and void. The agreement has been overwhelmingly rejected by the people of Zimbabwe. This is why the war against the régime has intensified since the signing of the so-called agreement.

The proposed elections of 20 April 1979 are supposed to take ten days. This will enable the overstretched security forces of the Rhodesian régime to move from one polling area to another. It is also an arrangement which enables polling officers and the security forces to determine how to deal with low turn-outs as they move from one polling area to another. This alone makes fair and free elections impossible. Furthermore, there is no list of registered voters. This means that men will use their local authority registration certificates and women will use a more dubious form of identification, and that will enable migrant workers, who number over 250,000, to vote as the Angolan refugees voted in the sham elections which South Africa conducted recently in Namibia. In these circumstances, we do not see how such elections can possibly be fair, free and democratic.

We call upon the Security Council to condemn these elections as being as fraudulent as the Constitution under which they are being conducted. Western conservative apologists for the Smith régime cannot hide their true intention of backing racist Ian Smith behind the cassocks of Bishop Abel Muzorewa and the Reverend Ndabaningi Sithole, who have sold their souls and stilled their consciences for the sake of self-gratification at the expense of the people of Zimbabwe. They know, and we also know, that they have been behind Smith since he unilaterally seized power in 1965. They back him now not because of the inclusion of blacks in his régime, but because this enables them to hide their racist faces behind the clerical gowns of Muzorewa and Sithole.

In case there are those who have not heard this before, the Patriotic Front wishes to reiterate its objectives in our struggle to regain our national independence. As our leaders, Presidents Mugabe and Nkomo, have said time and time again, our war is not against white people as members of a race but against the system which has been imposed on us over the years by British settlers. We are not fighting to install a black face in place of Smith's white face. No, we are fighting to eradicate the racist institutions which have enslaved 99 per cent of the people of Zimbabwe for nearly a century now. White people in Zimbabwe who subscribe to genuine majority rule have nothing to fear because they will become part of the majority once a genuine transfer of power takes place. If there are going to be racial problems under our rule, they will not be of our making but will be caused by those who stubbornly reject the idea of transferring power to the majority now, those who continue to bomb defenceless civilians and refugees, and those who support minority rule for parochial and ethnic reasons.

In conclusion, we wish to appeal to the Security Council to condemn Rhodesian raids into Angola, Mozambique and Zambia; to warn South Africa against interfering in the internal affairs of Zimbabwe; to call upon all countries not to have anything to do with

Smith's elections; and to examine loopholes through which the Smith régime continues to trade with the outside world. The Smith régime and its allies in Pretoria should not be allowed to believe that they can violate the territorial integrity of neighbouring countries with impunity. Such a state of affairs would threaten the peace

and security not only of Africa but of the whole world. For our part, we believe that we have no choice but to intensify the armed struggle, carrying it to its logical conclusion, which is a genuine transfer of power in Zimbabwe. Zimbabwe must be free. The struggle continues. Victory is certain.

Mogolori Modisi (Botswana), Speaking on Behalf of the Front-Line States

It is today over a decade since the Council met and determined that the situation in Southern Rhodesia was a threat to international peace and security. The Council has since met on several occasions only to reaffirm its original findings. At each successive meeting the Council invariably observed that the situation in that unhappy British colony continued to deteriorate.

The front-line countries completely share the view that so long as the minority white régime in Southern Rhodesia continues to survive there will be no end to the unspeakable suffering of the people in southern Africa, in general, and of the black people in that region, in particular. The situation in Southern Rhodesia today poses a serious threat to international peace and security.

The people of Zimbabwe are waging a valiant struggle to shake off the yoke of colonialism. The front-line countries have always deemed it their responsibility to assist them, and they are not about to abandon that responsibility. The struggle will continue until final victory. The cost is now very high and, in the light of the deteriorating situation, will continue to escalate.

In their struggle, the people of Zimbabwe have never ceased to seek an amicable and civilized settlement. Unfortunately for them, conferences have been held, under the auspices of the colonial administration, to define the problem, to devise machinery for ignoring the problem and, finally, actually to deceive the black people of Zimbabwe in perpetuity. The leaders of the suffering black Zimbabweans have attended all those conferences in spite of all the glaring faults they found in the objectives of those conferences and their cynical implications for them. Whenever there appeared to be some measure of accommodation in the proposals discussed at those conferences that the leaders of the black people could genuinely accept, the authors of the proposals found a way to reverse themselves, in a conspiracy to frustrate our leaders further.

It was only after its long experience of treachery in the white settler clique and its powerful Western sympathizers, in particular the British Government and the Government of South Africa, that the people of Zimbabwe resolved to enter into an armed struggle against them. Its resolve to enter this phase of the struggle was inevitable, given the circumstances of the time, when the

other side engaged in cruel deceit and continued to enforce a callous and inhumane policy against the people of Zimbabwe.

The degree of repression in the country, the maltreatment of black people, the abuse of the law and of human rights and, indeed, the disregard for the lives of the black people of Zimbabwe are well documented.

Now that it is clear to the illegal white minority régime in Salisbury that all its deception, intrigue, cruelty and callousness towards the black people of Zimbabwe will never subjugate their will and their aspirations to independence and freedom, the Smith régime has contrived a diabolical scheme to set them one against another. Emboldened by his success in tricking a few misguided so-called internal leaders, Mr. Smith is now bent on a course of swindling not only the black people of Zimbabwe, but the whole international community, by installing a puppet régime in that territory. The so-called limited majority rule that will, for the foreseeable future, serve the interests of the privileged minority of white Rhodesian settlers has now received the blessing of the all-white electorate, and on 20 April Mr. Smith plans to force this wish of the whites in Rhodesia down the throats of the black majority of Zimbabwe through a sham election.

Mr. Smith and his colleagues in Salisbury have been making elaborate and sinister preparations for this fraud.

Encouraged, on the one hand, by a visit to the United States made possible through an invitation by some dangerously ill-informed senators extended in defiance of the decisions of this Council and, on the other hand, by some ill-conceived and impolitic rumblings of support from the Conservative Party in the United Kingdom, Mr. Smith now hopes to have the Governments of those two countries — and, in the case of the United States, once again — defy the decisions of this Council by unilaterally lifting sanctions imposed against Southern Rhodesia in 1968.

One of the reasons this Council is meeting today is to appeal to the Governments of the United States and the United Kingdom not to be so easily duped by Mr. Smith and to refuse to submit to the pressures of misguided elements within their Governments to recognize the illegal régime. The front-line countries earnestly hope

that this appeal will be heeded by both Governments. Mr. Smith in new clothes is still Mr. Smith. The results of the April 1979 elections are predetermined.

On the other hand, Mr. Smith has placed his country on an unparalleled war footing. The territory is ruled by martial law. Repressive measures taken against the black population in Southern Rhodesia are so severe that they are deplored even by the very same so-called internal leaders whom Mr. Smith intends to install as his puppets in a so-called limited majority rule government. More and more of the black people of Southern Rhodesia are now fleeing in fear of their lives. In flight also are young children who have decided to forgo the love of their parents because of the intolerable discomforts and suffering inflicted upon them by the notorious security guards of the Smith régime in besieged villages, and to join the swelling refugee populations of Zimbabweans in neighbouring countries.

Mr. Smith's appetite for cruelty is apparently insatiable. He has developed a distinctly inhumane policy of tracking these innocent refugees into the neighbouring countries, where his security forces execute them. These vile acts of murder of the refugee populations in neighbouring countries are part of the policy of genocide against the black people of Zimbabwe. Genocide is a crime against humanity and a violation of all the principles and customs of civilized nations and States Members of this Organization.

The front-line countries wish to record their condemnation of this act of genocide by the Smith régime.

In accordance with the grand scheme of things conceived by the illegal minority régime, the neighbouring countries have been terrorized in an ill-fated effort to cow them into refusing to accept refugees from Zimbabwe. In pursuit of this policy, the illegal minority régime in Southern Rhodesia has, without any provocation, repeatedly in the past invaded the territories and violated the sovereignty and territorial integrity of Botswana, Mozambique and Zambia. The invasions were carefully planned and therefore premeditated. The co-ordinated military invasions of our countries have resulted in loss of life, destruction of property and untold suffering for our people. Note should be taken that these invasions are often directed against civilian populations and refugee camps.

Another reason this Council is meeting today is that the military forces of the illegal white minority régime in Southern Rhodesia have made successive unprovoked and premeditated attacks well within the territories of Angola, Mozambique and Zambia, from 17 February to 1 March of this year. Most of these attacks were directed against refugee camps. Over 200 innocent people were killed and over 650 people injured, and among the dead and injured are civilian Angolans, Zambians and Mozambicans.

The other front-line countries are outraged by these dastardly attacks against the sister countries of Angola, Mozambique and Zambia, and wish to record their strongest condemnation of the acts of naked aggression perpetrated against them by the illegal white minority racist régime in Southern Rhodesia. The Security Council should not give comfort to the illegal régime concerning these terrible inhuman acts. It should roundly condemn them for what they are — barbarous acts of murder.

The people of all the front-line countries share in the sorrow caused by the illegal régime to the people of Angola, Mozambique, Zambia and the black people of Zimbabwe. We stand with them in mourning the dead, to whose relatives we wish to express our heartfelt condolences. These are very sad and tragic times in the history of southern Africa, which will be remembered by all the struggling and valiant people of that region.

In the fast deteriorating situation in southern Africa there is bound to be more of that sort of sorrow visited upon the innocent and peace-loving people by the illegal war-mongering régime in Salisbury. We have no doubt that our people have the capacity to withstand it and are prepared to pay the supreme price, if that is what it will take to rid themselves of colonialism and racism. We also know that the days of Mr. Smith and his co-conspirators are numbered.

The people of Zimbabwe under the guidance of their liberation movement, the Patriotic Front, must be congratulated on the valiant fight they are waging against indomitable odds in their determined struggle against British colonialism and the white settler minority in Southern Rhodesia. They have already proved their mettle to us, for which they enjoy our admiration and respect. The front-line countries pledge their unswerving support to them. We shall stand with them until they succeed in ridding themselves of the bloodthirsty Smith.

The front-line countries request this Council to take appropriate measures in support of the people of Zimbabwe and their liberation movement, the Patriotic Front. Such measures should be sufficient in scope to strengthen the hand of liberation and decolonization. That is the only decent thing to do, for the principles for which the liberation movement is fighting are enshrined in the Charter of the United Nations. The Security Council should now join the fight in defence of those principles. The fight of the people of Zimbabwe against colonialism and oppression is the fight of the international community.

The Smith régime has no right to terrorize its people. It has no right to defend the position of undeserved privilege of the white settler community in Southern Rhodesia. Neither does the Smith régime have a right to invade neighbouring countries or to remain in a country whose people it so manifestly hates and abuses. West-

ern countries have no right to arm Mr. Smith and his colleagues, only for him to kill innocent civilians in Southern Rhodesia and to embark upon unprovoked acts of aggression against neighbouring countries. The Government of the United Kingdom has no right to continue its shameless irresponsibility and deception.

The Security Council must ensure that sanctions against Southern Rhodesia are strengthened and that Member States strictly observe them. In this connexion, the role of the colonial Government must be re-examined closely, particularly now that the Security Council is aware of the disclosures of the Bingham report [see

below]. From the Bingham report one thing is now very clear: the British Government has been writing accusing letters to this Council about others while it was consciously committing similar crimes.

The latest round of attacks which the Smith régime is mounting against refugee camps in the front-line countries is aimed at depleting the black population of Zimbabwe. The aim in killing these innocent refugees is to have fewer people to oppose Mr. Smith in his sham elections.

No State should send observers to elections, the preparations for which included the wholesale murder of

The Bingham Report

Conclusions and Observations of the Report on the Supply of Petroleum and Petroleum Products to Rhodesia

by T. H. Bingham and S. M. Gray

On 19 September 1978, the Permanent Representative of the United Kingdom to the United Nations, Ivor Richard, transmitted to the Chairman of the Security Council's Committee on sanctions against Southern Rhodesia, Rikhi Jaipal (India), the results of an enquiry into the supply of petroleum and petroleum products to Rhodesia.

The enquiry had been commissioned by the British Secretary of State for Foreign and Commonwealth Relations in April 1977 and was prepared by Messrs. T. H. Bingham and S. M. Gray. In his letter to the Chairman of the Sanctions Committee, Ambassador Richard said that: "Mr. Bingham's investigation has been completed with the utmost speed consistent with a thorough investigation of the volume and complexity of the evidence submitted to him. The British Government and the oil companies under United Kingdom jurisdiction gave Mr. Bingham their full co-operation, and written and oral evidence was received from other organizations and individuals."

Ambassador Richard also stated in his letter that: "Upon receipt of the Report, my Government decided that it should be published in full, once the consent of those giving relevant evidence to the enquiry had been obtained. My Government also concluded that, in the light of material contained in the Report, it should be referred to the Director of Public Prosecution to consider whether further enquiries should be undertaken with a view to possible criminal proceedings for breaches of United Kingdom sanctions legislation. The Report has accordingly been referred to the Director of Public Prosecutions. I will keep you informed of any action he decides to take."

On 13 October 1978, Ambassador Jaipal forwarded the United Kingdom letter and the report to the Security Council, which issued chapter XIV of the report, containing the conclusions and observations, as a Security Council document.

Chapter XIV of the report appears below.

CONCLUSIONS (CHAPTER XIV)

14.1 In this chapter we summarize our main factual conclusions, we summarize and review the major arguments advanced on behalf of the Shell and BP Groups and we make certain concluding observations.

14.2 We refrain from expressing any opinion as to whether any company or any individual has or may have at any time committed any criminal offence under the Sanctions Orders. Our terms of reference do not, in our opin-

ion, permit, still less require, us to do so. We have, however, in Annex III [of the full report], gathered together information and references which may be of relevance in considering whether criminal offences have been committed: the information and references there given relate to the more important companies which feature either in the organization charts referred to in Chapter I, paragraph 1.45, or in the chain of supply to southern Africa described in Chapter I, Section C [of the full report].

people. We should like to repeat at this juncture that the outcome of the elections on 20 April 1979 is predetermined. Such elections can be neither democratic nor fair. The number of people who will participate in such elections is immaterial, as it makes very little difference to the outcome. Perhaps Senators McGovern and Hayakawa and Lord Pym should be asked to explain how the April 1979 elections can be democratic and fair when, from the outset, they exclude the participation of the Patriotic Front.

In conclusion, the front-line countries request that the Security Council adopt a resolution that, first, condemns the unprovoked acts of aggression by Mr. Smith

against their territories; secondly, declares the so-called elections of 20 April 1979 a sham and therefore null and void; thirdly, calls upon all States not to send observers to the elections and not to recognize whatever emerges from such elections — in this connexion, the front-line countries urge the Governments of the United States and Great Britain to ensure that no observers are sent to Southern Rhodesia by any arm of their Governments; fourthly, calls upon all States to provide assistance to the liberation movement of Zimbabwe, the Patriotic Front; and finally, adopts measures to ensure that all Council resolutions on Southern Rhodesia are observed by Member States. ■

The Bingham Report

A. FACTUAL CONCLUSIONS

14.3 It is convenient that we should summarize our main conclusions. In making this summary we would emphasize:

(a) that a proper understanding and fair appreciation of the facts summarized require reference to the indicated passages in the full text;

(b) that the summary is of facts *now* known: many of the facts now summarized were not contemporaneously known to one or other or both of the Groups in London; some were not known until the relevant documents were assembled from many sources for presentation to us; some came to light in the course of the investigation. It would be wrong to assume that all the events now summarized were known to the Groups in London at the time the events were taking place.

14.4 Our main conclusions are these:

(i) Shell notified the Rhodesian Government before UDI that the Shell and BP Groups would continue to perform their contractual obligations unless or until *force majeure* prevented them doing so. There may have been informal expressions of opinion to the effect that sanctions were unlikely to be imposed and, if imposed, were unlikely to be effective. The Groups did not deliberately encourage the Rhodesian Government to make its illegal declaration of independence and did not assure that Government that it would maintain supplies if sanctions were imposed.

(ii) It seems very likely that in the weeks preceding promulgation of the 1965 Sanctions Order stocks in Rhodesia rose above the normal level. We do not think that any major concerted effort to that end was made, and limitations on storage capacity precluded substantial stockpiling. We doubt if the margin by which stocks were increased significantly affected the subsequent course of events.

(iii) It appears that stocks of refined products in Zambia immediately prior to the 1965 Sanctions Order were at a very low level. It may be that there was some interception in Rhodesia of supplies intended for Zambia, or a deliberate failure to consign to Zambia supplies which would otherwise have been consigned, but the evidence available to us does not show that this was so.

(iv) We are satisfied that Shell did not, in the weeks immediately preceding the 1965 Sanctions Order, negotiate with the Portuguese to vary the form of documentation for imports in transit through Mozambique with a view to concealing the destination of products consigned to Rhodesia in the event of an embargo.

(v) Upon the making of the 1965 Sanctions Order, Shell on behalf of Consolidated and the Shell and BP Groups acted promptly to notify the Consolidated companies in South Africa, Mozambique and Rhodesia of the terms of the Order and to seek the compliance of those companies with its terms. A cargo of oil on the high seas en route for Rhodesia was diverted. Further supplies of crude were stopped. Orders suspected of being for Rhodesia were rejected.

(vi) Pumping of oil to CAPREF ceased on 31 December 1965 and the refinery closed down on 15 January 1966. No crude oil has reached the refinery since that date and it remains closed down.

(vii) The Consolidated management immediately stopped the dispatch of products from the Durban Refinery and the Luboil Blending Plant and (after a pause to assess the legal position) acted to prevent the supply from South Africa to Rhodesia of products which had traditionally been supplied from the Consolidated companies in South Africa to their affiliates in Rhodesia.

(viii) Oil products began to reach Rhodesia by the road route over Beit Bridge at a rate rising from about 35,000 gallons per day in February up to about 100,000

gallons per day in May 1966. Subsequently the quantities entering Rhodesia by this route declined. Supplies were sent partly by South African supporters of the Rhodesian régime and partly by South African and Rhodesian contractors, and were increasingly obtained by GENTA (the Rhodesian oil procurement agency). Transport belonging to the South African Consolidated marketing companies was not involved. Some transport belonging or leased to Rhodesian contractors but painted (or previously painted) with the colours of the Rhodesian Consolidated companies was used to obtain supplies; some of these companies' own transport may also have been used. It is certainly possible, though not proved, that the Rhodesian Consolidated companies actively participated in the procurement of supplies by road from the Transvaal. Another Rhodesian marketing company did so. The source of the products carried to Rhodesia by road cannot be clearly ascertained, but it is likely that they derived from all the South African marketing companies.

(ix) The local management of the Consolidated companies in South Africa was impeded in its initial efforts to restrict the flow of oil to Rhodesia by the insistence of the South African Government that there should be no embargo within South Africa on supplies to Rhodesia and by the strong pro-Rhodesian sympathy of virtually all white South Africans employed by the companies. Despite these impediments the local management of Consolidated tried during about the first six months or so after the 1965 Sanctions Order to prevent or reduce the flow of oil to Rhodesia.

(x) In February 1966 oil products began to be carried by rail from South Africa via Mozambique to Rhodesia. This traffic reached a peak in May 1966 and thereafter declined, ceasing altogether in March 1967. The quantity of all products carried by this route during 1966 amounted to some 87,000 tons. It seems highly probable that industrial customers of all the South African marketing companies bought rail tank cars of product surplus to their requirements and re-consigned them to Rhodesia. It seems clear that Parry Leon and Hayhoe Limited bought rail tank cars of product and re-consigned them to Rhodesia. The figures suggest that a substantial proportion of this traffic consisted of purchases by Parry Leon and Hayhoe from the Consolidated marketers in South Africa, and that some members of the South African management must have known of the destination of these products.

(xi) In December 1966 Shell Mocambique delivered about 3,000 tons of oil products free on rail at Lourenco Marques to Parry Leon and Hayhoe pursuant to contracts made between Shell South Africa and Parry Leon and Hayhoe in Johannesburg. During 1967 about 150,000 tons were so delivered. Shell South Africa was under strong pressure from the South African Government, if not under legal obligation, to make sales to South African buyers able to pay the price, which is what Parry Leon and Hayhoe were. While the product probably passed technically through the ownership of Shell Mocambique, it was supplied by the Consolidated marketing companies in South Africa and was in the main transported to Mozambique

from South Africa. Parry Leon and Hayhoe sold these products to GENTA and consigned them to Rhodesia. Additional quantities may well have been similarly delivered to Parry Leon and Hayhoe for carriage to the Transvaal.

(xii) When Mr. Vasconcellos in Mozambique appreciated that goods delivered to Parry Leon and Hayhoe, or some of them, were being carried to Rhodesia he raised the matter with the top management in South Africa. He was told (in effect) to continue making such deliveries. The management in South Africa was, however, concerned to avoid the affixing of rail tank car labels showing a Rhodesian destination within the Shell Mocambique installation and was insistent that no consignments were to be made direct to Rhodesian destinations.

(xiii) Mr. Walker's personal position as a South African citizen and General Manager in South Africa with over-all local responsibility for Mozambique was a difficult one because he could not faithfully comply at the same time both with the policy of the 1965 Sanctions Order that supplies should be denied to Rhodesia and with the policy of the South African Government that South African traders should be free to trade with Rhodesia. He believed it was arguable that since neither he nor Shell Mocambique knew for sure that any particular consignment was destined for Rhodesia there was no contravention of the 1965 Sanctions Order.

(xiv) Mr. Walker informed the British Embassy in South Africa of his view that oil for Rhodesia was going through various intermediaries from all the companies supplying South Africa, probably in about the same proportion as their share of the South African market, and that he believed the other companies would make good any shortfall in supplies made by the Consolidated marketing companies.

(xv) Until January 1968 the Shell and BP Groups in London believed that no sales were made by the Consolidated marketing companies in South Africa and Mozambique to customers who were known or thought to be selling the products on to Rhodesia. That belief was based on information and assurances given by the General Manager in South Africa, Mr. Walker. These assurances were passed on to HMG which, until towards the close of 1967, fully accepted them.

(xvi) From about May 1966, when the scale of the supply to Rhodesia became known, HMG was very much concerned to stop that supply. During 1967 a number of schemes were explored and diplomatic moves made to that end. HMG came to believe that without the co-operation of South Africa and Portugal, and in the absence of a restricted crude supply by the CFP Group to the SONAREP refinery, the supply to Rhodesia could not (without an embargo on supplies to South Africa and Mozambique) be stopped altogether. The attention of HMG was then concentrated on achieving a position in which it could truly be said that British companies were not engaged in supplying Rhodesia and that no British oil was reaching Rhodesia. Towards the end of 1967 HMG began to suspect that customers to whom goods were delivered

free on rail at Lourenco Marques by Shell Mocambique were consigning them to Rhodesia.

(xvii) Information given to Shell in London in January 1968 led the Groups to believe that Parry Leon and Hayhoe, to whom goods were delivered free on rail at Lourenco Marques, might be consigning them to Rhodesia. A visit paid to South Africa and Mozambique by representatives of Shell in London confirmed that belief.

(xviii) In about February 1968 Shell South Africa made an arrangement with Total South Africa that orders for products to be delivered free on rail at Lourenco Marques, placed on Shell South Africa by customers suspected of selling on to Rhodesia, should be fulfilled with product supplied by Total South Africa from its Matola installation in exchange for an equivalent quantity of product supplied to it by the Consolidated companies in South Africa at a convenient point or points in that country.

(xix) On 21 February 1968 representatives of the Groups disclosed to the Commonwealth Secretary that deliveries had in the past been made free on rail at Lourenco Marques to customers who had re-sold to Rhodesia and that arrangements had been made for orders placed by suspicious customers henceforward to be met from non-British sources at Lourenco Marques. It may have been indicated that the CFP Group was the most likely non-British source and that a product exchange was involved. The details of the Total exchange arrangement were communicated to HMG in the course of the following year if not on that occasion. HMG considered that this was the best arrangement which could be made in the circumstances but realized that it would not of itself prevent or reduce the quantity of oil reaching Rhodesia.

(xx) The Total exchange arrangement was implemented and operated for a period, during which orders placed on Shell South Africa by Parry Leon and Hayhoe and (after 1969) Freight Services were physically met with product supplied and handled by Total South Africa at Lourenco Marques against an equivalent supply elsewhere. This arrangement was superseded by an arrangement under which products supplied by the Consolidated South African marketing companies were handled through the Total installation at Lourenco Marques for a fee and then delivered by Total to Freight Services. This arrangement with Total ended at about the end of 1971.

(xxi) After the ending of the arrangements with Total, orders placed by Freight Services on Shell South Africa were met from products supplied by the Consolidated South African marketing companies and delivered by Shell Mocambique at Lourenco Marques. Most if not all of these products were consigned by Freight Services to Rhodesia.

(xxii) It was known to the top management of the Consolidated companies in South Africa and (after the event) Mozambique that the arrangements with Total South Africa had come to an end. It was known to the top management in both countries that deliveries to Freight Services at Lourenco Marques were handled by Shell Mocambique.

(xxiii) During visits to South Africa in early 1974 it came to the attention of Mr. Francis (Shell) and Mr. Sandford (BP) that the Total exchange arrangement had ended and that Shell Mocambique was handling deliveries to Freight Services. Mr. Francis told the local management of SERVICO or Shell South Africa that steps should be taken at once to remove Shell Mocambique from the chain of supply to Freight Services. This was not done before the closure of the Mozambique/Rhodesia border in March 1976, although the quantities delivered by Shell Mocambique to Freight Services diminished following the opening of a direct rail link between South Africa and Rhodesia in September 1974. Mr. Francis discussed the matter with his immediate superior, Mr. de Liefde, and thought that he had effectively communicated an understanding of the problem. Such was not the case: Mr. de Liefde did not appreciate that Shell Mocambique might be in jeopardy nor that there was any departure from arrangements notified to HMG. Mr. Francis did not make any report on this matter to any other member of the Shell management nor ascertain whether his instructions to SERVICO or Shell South Africa had been carried out, although he was led to believe for a time that Freight Services traffic to Rhodesia had switched from Lourenco Marques to the new rail link. Early in 1975 he learned that some French Services supplies to Rhodesia were still being handled by Shell Mocambique in Lourenco Marques but thought that these were minor residual deliveries which gradually petered out. Mr. Sandford informed his immediate superior, Mr. Robertson, what he had learned in South Africa and of the concern that he felt about it, but Mr. Robertson knew very little of the events in 1968 and misconceived the status of Freight Services and did not communicate any sense of urgency or alarm to the most senior levels of BP management or to Shell. Mr. Sandford pursued the matter with Mr. Francis but in October 1974 concluded (wrongly) that the new rail link had attracted the Lourenco Marques oil traffic and thus solved the problem. Thereafter he did nothing before his retirement in September 1975.

(xxiv) The quantities of product delivered to Parry Leon and Hayhoe and Freight Services free on rail in Lourenco Marques, either by Total South Africa (during the exchange/throughput period) or after that period by Shell Mocambique, pursuant to orders placed on Shell South Africa (or BP Southern Africa), and thereafter sold to GENTA and consigned to Rhodesia, were, during the calendar years 1968-1975 inclusive, probably not less than the following:

Year	Tons
1968	165,000
1969	180,000
1970	190,000
1971	220,000
1972	275,000
1973	300,000
1974	300,000
1975	250,000

(xxv) When the business formerly conducted under the Consolidated Agreements in South Africa came to be

split between the Shell and BP Groups, BP insisted on obtaining and obtained half of the business with Freight Services. Its chief local representative in South Africa knew what that business consisted of. So, with varying degrees of comprehension, did a small number of officers in London.

(xxvi) From March 1966 until the independence of Mozambique in June 1975 ships entering Beira with cargoes of oil or oil products were subject to scrutiny by patrolling vessels of the Royal Navy. The volume of refined products reaching Rhodesia through Beira between the 1965 Sanctions Order and the closure of the Mozambique/Rhodesian border in March 1976 was inconsiderable. No crude oil reached Rhodesia by this route.

(xxvii) Throughout the period since the 1965 Sanctions Order some minor products have reached Rhodesia from South Africa by means of the railway line through Botswana. No attempt was made to intercept these supplies within that country either before or after the independence of Botswana because it was believed that Botswana was economically dependent on the railway line and vulnerable to economic retaliation by Rhodesia, and also because of South African insistence that the line be kept open. The South African Government and the Consolidated marketing companies in South Africa were made aware of HMG's wish that supplies to Rhodesia by this route should be kept to a minimum. We are satisfied that the volumes of oil products carried by this route were modest, never reaching 10,000 tons in any year for which figures are available (1966-1969). There is no evidence that volumes increased thereafter.

(xxviii) Throughout the period from the 1965 Sanctions Order until the present, minor products such as lubricants, base oils, greases, SBPs and bitumen have in the main reached Rhodesia direct from South Africa. GENTA were probably not involved in the procurement of lubricants and base oils, but Freight Services and at least one other intermediary (DL Petroleum) were involved in these sales. The procurement of minor products other than lubricants and base oils may have been handled by GENTA but we think it more likely that GENTA procured bitumen only. Freight Services acted as intermediary in sales of all these products also.

(xxix) During 1975 an increasing share of supplies to Freight Services was made by SASOL or SASRAF direct from the Republic of South Africa by the new rail link. The supplies came from NATREF. At about the time of the Mozambique/Rhodesia border closure in March 1976, SASOL or SASRAF took over all responsibility for the supply to Freight Services of those main products (in particular motor gasoline and gasoil) which NATREF produced. The South African marketing companies who had previously done business with Freight Services were, as to 85 per cent of the business so lost, compensated by increased access to the NATREF area of the Transvaal. So far as we have been able to ascertain, this situation has continued up to the present. It seems probable that neither the Shell nor the BP marketing companies in South Africa are now selling to Freight Services or to any intermediary who is known to be selling on to Rhodesia.

(xxx) After a lapse of some years, contact between HMG and the Shell and BP Groups concerning the enforcement of sanctions was renewed in the summer of 1976. In a letter to HMG dated 30 June 1976, following publication of *The Oil Conspiracy* in the United States by the Center for Social Action of the United Church of Christ, disclosure was not made of the deliveries by Shell Mocambique to Freight Services between 1972 and March 1976 and the impression was given that the situation had remained substantially unchanged since February 1968. It was known to Mr. Francis (who drafted the letter) that such deliveries had been made, although he thought that they had begun later and stopped earlier. It was not appreciated by Mr. Francis' superiors in Shell that such deliveries had been made at all: Mr. Francis had discussed the matter with Mr. de Liefde but the latter had not grasped the situation. It is not entirely clear whether the contents of this letter were disclosed to BP before the letter was sent but BP received a copy of the letter subsequently and approved of it. The responsible senior management of BP at this time (June 1976) had not been involved in the discussions with HMG in 1968-1969 and did not appreciate the changes which had occurred in the arrangements then notified to HMG nor the possible implications of such changes.

(xxxi) Since a date very shortly after the 1965 Sanctions Order, the Consolidated marketing companies in Rhodesia have been subject to direction by the illegal Rhodesian Government on pain of criminal penalty for non-compliance. It has never been suggested to the Shell and BP Groups by HMG that they should liquidate those companies or suspend their operations; had either of these courses been attempted the Rhodesian Government would have appointed a custodian of the companies. The Groups have received information concerning these companies sporadically, but not concerning procurement of supplies. Directors of the companies resident in England have played no part in their management. Shell (as the channel of communication under the Consolidated Agreements) have remained in contact with the companies and have been able to influence some policy decisions, but neither the Groups nor Consolidated have enjoyed any effective power of control.

(xxxii) The primary role in procuring main products for consumption on the Rhodesian market was played (at least so far as the Consolidated companies were concerned) by GENTA, which appears to have allocated the available supplies to the existing Rhodesian marketers roughly in proportion to their market shares. So far as we know, Caltex Oil Rhodesia played no part in procuring supplies save in the early months of 1966. There is some evidence that the Consolidated companies in Rhodesia did, probably to a minor extent, participate with GENTA in procuring supplies. We have had no direct evidence concerning Mobil and Total.

(xxxiii) At the time of UDI, total consumption of all petroleum products in Rhodesia was running at an annual rate of about 410,000 tons. The total fell after UDI but was restored to the old level by about 1969 and thereafter increased until it now stands at about 800,000 tons.

B. SUBMISSIONS

(1) Shell

14.5 At the outset of our investigation, Mr. C. C. Pocock, Chairman of the "Shell" Transport and Trading Company, Ltd., stressed to us that the principle of delegating managerial authority to local Shell companies was one in which the Royal Dutch/Shell Group really believes and which it fully practises. Apart from certain business principles which must always be observed, and matters such as financial policy and management appointments which are of direct concern to the shareholder, the business of management is entrusted to the local management. As a letter circulated to Shell companies in November 1976 put it: "Fullest practicable managerial autonomy resides with each Shell company." We are satisfied that in practice very considerable managerial autonomy was granted to Group companies in southern Africa during the period under consideration, although their performance was carefully monitored in London and non-routine decisions were the subject of consideration there.

14.6 It was stressed, secondly, that chief executives and local staffs within the Group are expected to obey the laws of countries where they live and work. This formed part of a Statement of General Business Principles drawn up by the Group and circulated to companies in 1976:

"Companies should endeavour always to act commercially, operating within existing national laws in a socially responsible manner, and avoid involvement in politics."

This recommendation reflected OECD guidelines accepted by HMG in 1976 (see *International Investment Guidelines for International Enterprises*, Cmnd. 6525, 1976). Sir Frank McFadzean, himself a former Chairman of "Shell" Transport and Trading, laid particular emphasis on the importance, in his view, of local companies so far as possible avoiding involvement in national politics. We think that both elements of this principle, compliance with local law and avoidance of corporate political commitments, formed part of the Group's philosophy and practice in southern Africa throughout the period.

14.7 At the conclusion of our investigation, SIPC made to us a detailed written submission drawing attention to a number of factors which, it was said, must have affected the minds and conduct of those in Shell who were concerned with handling the many and difficult problems caused by sanctions. In summary, Shell contended:

(i) that its belief from the outset was that sanctions could not prevent supplies of oil reaching Rhodesia because ample supplies would be forthcoming from South Africa: the withholding of supplies to South Africa by Shell would have caused grave damage to British commercial interests there (including the sequestration by the South African Government of Shell's own assets) but it would not have stopped the flow of oil products to Rhodesia;

(ii) that Shell was the subject not only of a conflict between the policies of the British and South African Governments but also of an irreconcilable conflict between the

policy of the Sanctions Orders (which Shell thought could only be safely complied with by cutting of supplies to South Africa) and the policy of HMG that there should be no economic confrontation with South Africa: given the duty to comply with the local law this gave rise to the most acute practical problems;

(iii) that acceptance of the Total exchange by HMG was inevitable if confrontation with South Africa was to be avoided, but it was felt by Shell to be a fairly transparent device since it involved continued contractual relations by Shell South Africa with (and facilitation of supplies to) Parry Leon and Hayhoe, who were known to be supplying Rhodesia; the only change was that the product supplied to Parry Leon and Hayhoe now belonged to Total South Africa who in exchange received products (supplied by English-incorporated Shell and BP trading companies) elsewhere in South Africa;

(iv) that those concerned naturally and foreseeably interpreted HMG's concern as being to have a technical defence to the accusation that British oil was reaching Rhodesia, that defence being based on a narrow construction of the Sanctions Order;

(v) that between 1966 and 1972 talk of a Rhodesian settlement was frequently in the air: since South African help was sought in persuading Mr. Smith to compromise there was an added reason for avoiding confrontation;

(vi) that those who knew of the Total exchange must have appreciated that closure of the Mozambique border would necessarily have ended the Total exchange as arranged in 1968.

14.8 This submission raises certain questions involving the evaluation of government policy upon which we do not feel entitled under our terms of reference to comment. But it also raises factual issues upon which the evidence given to us does enable us to make observations:

(a) Shell did from the outset consider that sanctions against Rhodesia could not be effective unless South Africa also were blockaded. Within HMG also there was appreciation of difficulties which the sanctions policy faced.

(b) Sir Frank McFadzean told us that it was his view and that of Mr. Berkin at the time of the 1965 Sanctions Order that if Shell had refused to supply South Africa the South Africans would have sequestered Shell's assets; they also thought that the South Africans had enough engineers and that there was enough crude oil available to enable the South Africans to run SAPREF without Shell's co-operation. We have not investigated this matter, but have no reason to doubt Sir Frank and Mr. Berkin's contemporary judgment.

(c) In a practical (as opposed to a legal) sense there was an obvious conflict between the policy of HMG that oil trade to Rhodesia should be reduced as much as possible and the South African Government's policy that

South African buyers should be free to buy oil within South Africa irrespective of the use or destination to which they intended to use or send it. For British citizens subject to the laws of both countries there was a conflict of jurisdictions in a legal sense.

(d) Shortly after the 1965 Sanctions Order, Shell expressed the view that the only sure way of avoiding a breach of the Order was to cease supplying the South African registered companies.

(e) It was the policy of HMG in the years 1965-1969 at all costs to avoid economic confrontation with South Africa. We have received no evidence as to policy in later years. It was recognized on all sides that the cutting off of supplies to South Africa by Shell and BP Groups was likely to provoke such confrontation. At his meeting with company representatives on 21 February 1968 the Commonwealth Secretary said that there were no doctrinaire or ideological objections to trade with South Africa, save in the arms field, and other similar statements were made on other occasions.

(f) The Consolidated marketing companies in South Africa and their employees faced very severe problems in seeking to give effect to the policy of the Sanctions Orders.

(g) The effect of the Total exchange was as summarized in Chapter VIII [of the full report].

(h) The companies were initially doubtful as to the legality of the Total exchange but did not disclose those doubts to HMG. On 6 February 1969, Sir Frank McFadzean expressed the view that the exchange seemed "pretty thin" to him but "legally sound". HMG was of opinion that "the legal position was sound and could be defended", and was never prepared to countenance what it regarded as breaches of the Orders by British companies. It was appreciated within the companies (as was the case) that HMG regarded it as important to be able to assert that British oil was not reaching Rhodesia.

(i) There were two or three occasions over the years 1966-72 when it was widely believed that a political settlement with Rhodesia might be imminent: for example, at the time of the talks on *HMS Tiger* and *HMS Fearless* and at the time of the Douglas-Home proposals in 1971.

(j) Since the Total exchange (as arranged in 1968) involved delivery of refined products free on rail in Lourenco Marques before onward carriage of some or all of them to Rhodesia, the arrangement could not survive closure of the Mozambique-Rhodesian border.

We have endeavoured to take full account of this submission by SIPC both in reaching and formulating our factual

conclusions and in making the observations which we do in Section C of this Chapter.

(2) British Petroleum

14.9 The position of BP was in some respects the same as that of Shell and in some different. The main difference was that during those periods when and in those areas where the Consolidated Agreements were in force BP were, even as compared with Shell in London, one step further removed from direct involvement in the business operations of the local companies (except, in the case of Mozambique, from 1 September 1975 onwards). We have treated this subject at greater length in Chapter I, Section B. The role of BP was necessarily subsidiary. Another difference, which would seem to have influenced BP's conduct on occasion (for example, in favouring immediate disclosure to HMG in February 1968), was the large Government shareholding in BP.

BP were, however, at one with Shell in their approach to the principle of managerial autonomy. The point was put by BP in this way:

"The South African subsidiary companies were not created or used as a sham to enable English companies to evade the requirements of English law. Their creation occurred many years ago. The autonomy which they enjoyed was conferred on them bona fide, and was a response to a problem which confronts every major business operating in many countries, namely, that the host governments insist that enterprises operating in their country be to that extent identified with the national interest of that country, and in particular that commercial policy be not dictated by the political policy of group's home government. These are the conditions in which the BP Group trades in South Africa."

14.10 BP would endorse the principle that local companies should comply with local laws and, as the foregoing quotation makes clear, base their decisions on commercial rather than political grounds.

14.11 BP's overriding submission was that the Group management in London consistently co-operated in the enforcement of sanctions whenever its assistance was requested by HMG, and that where on occasion it was not able to assist, its position was very fully explained to HMG. This is in our opinion true of the early years; but for various reasons summarized above there was not a full (or indeed any) explanation to HMG of the situation found to exist in early 1974, and when the South African business was split, BP showed no reluctance to undertake half the Freight Services trade.

C. OBSERVATIONS

14.12 In offering observations upon certain of the facts recounted and summarized above, we wish to reiterate that we are excluding from our consideration questions as to whether any criminal offence has been committed by any company or any individual.

14.13 We think it unfortunate that Mr. Walker should, as General Manager in South Africa with responsibility for Mozambique, have failed between about the end of 1966 and February 1968 to lay the facts known to and suspected by him before his superiors in London and that he

should have given categorical assurances which those facts did not warrant. The Shell and BP Groups in London and HMG were as a result led to misunderstand the means by which Rhodesia obtained its oil supplies. Because of this misunderstanding, both the Groups and HMG unwittingly adopted false positions at that time.

14.14 The easiest course for Mr. Walker personally would have been to disclose his knowledge and suspicions to Shell Centre and let others bear the burden of deciding what to do. It has not become clear to us why he did not do so. He may have wished to avoid embarrassing the Shell management in London. He may also have wished to safeguard the business he was running in South Africa. Awareness of the very stringent South African official secrets legislation may have played a part. We do not think these considerations justify his conduct even if they explain it.

14.15 In making this criticism we bear in mind the submission made to us against attributing blame to relatively junior individuals. We are also acutely aware of the difficulty of Mr. Walker's position as a South African living in a society very unsympathetic to the policy of the Sanctions Orders. But as General Manager of the Consolidated operation in South Africa, Mr. Walker was not in a junior position, and it must in our view follow that if fullest practicable managerial autonomy is to reside in each local company, then the management of that company must be regarded as responsible for the decisions which it makes.

14.16 Given the prevailing management philosophy, the information received from local sources and the knowledge that existed in the Groups of local political attitudes in South Africa and Mozambique, we do not think the Groups are to be criticized for failing during 1966 and 1967 to send a team from London to investigate methods of Rhodesian supply directly. When, in January 1968, suspicion deepened, such a team was sent. We are surprised that the report made by that team did not cause some dissatisfaction with the information previously supplied from South Africa, but we have not heard that it did. The reason is, we think, that the facts were not, even in February 1968, known to the Groups nearly as fully as they are now.

14.17 It was in our view a proper course for the Groups, once apprised of the facts, to disclose them and the proposed solution to HMG and seek HMG's acceptance of that solution. We are unsure whether the proposed solution was fully communicated in February 1968 but, during the year following, HMG was given sufficient information to enable a fair judgment to be made. The contrary has not been suggested to us. The proposed solution was accepted. It was thereafter reasonable for the Groups to proceed upon that basis.

14.18 The Total exchange arrangement plainly did not have the effect of denying supplies of oil products to Rhodesia. That an arrangement having this deficiency was accepted by HMG had, we think, an important consequence. It induced among some of those most directly

concerned (notably Mr. Francis and Mr. Walker) a belief that compliance with the Sanctions Orders was to be regarded as a matter of form rather than of substance, that it was the letter which mattered, not the spirit. The failure to communicate to or within Shell Centre certain matters which, as we think, should have been communicated may be traceable to this belief.

14.19 We think it possible also that, because of their differing viewpoints and backgrounds, HMG and the Groups may have seen the Total exchange rather differently. To HMG the arrangement was acceptable because it took British oil companies out of the line of supply to Rhodesia and enabled it to be said that British oil was not reaching Rhodesia. In the light of Britain's primary international responsibility for Rhodesia, that seemed an object worth achieving even though the arrangement would not deny oil to the illegal régime. To company representatives, familiar with product exchanges as an everyday fact of the international oil business, the exchange might, like other exchanges, have appeared to be merely an alternative means of making a supply. This approach may, we think, have coloured the thinking of some oil company employees.

14.20 When, following the Total exchange, official pressure on the Groups eased, there was a marked reduction in the prominence given to the whole question of Rhodesian sanctions among those within the Groups who were concerned with the affairs of southern Africa. This had a consequence of its own in the inadequate briefing on this subject of some key executives who came fresh to the southern African scene after 1968: on the Shell side, for example, neither Mr. de Liefde on appointment as Regional Co-ordinator nor Mr. McCutcheon on appointment as Managing Director of SERVICO was instructed as to the past history or the Group policy on this subject; the same was in varying degrees true, on the BP side, of Mr. Laidlaw when he became Regional Managing Director, Mr. Robertson when he became Regional Director of BP Trading, Mr. Savage when he became Regional Co-ordinator, Mr. Milne when he became the BP representative in South Africa and Mr. Trechman, either when he went to Mozambique as Senior Assistant in 1973, or when he became the local General Manager in September 1975. Bearing in mind the information given to HMG in February 1968 and HMG's request recorded in Sir Frank McFadzean's note of that meeting that it should be informed of any change in the situation, we think it clear that the Groups should not have allowed this subject to slip so far into the background. Those responsible for keeping HMG informed of any change in the situation could not do so without a reasonable working knowledge of what the situation was.

14.21 It was plainly the duty of Mr. Walker as General Manager in South Africa, knowing as he did the outline of what transpired between HMG and the Groups in early 1968, to inform Shell Centre of the ending of the Total exchange and the procedures adopted thereafter. Again we are unclear why he did not do so. Again we think the

considerations listed in paragraph 14.14 above played a part. We think also (despite his denial) that he was probably influenced by the lack of official and company concern currently apparent in relation to questions of sanctions enforcement.

14.22 When Mr. Francis and Mr. Sandford (both of whom had detailed knowledge of what transpired between HMG and the Groups in 1968-1969) learned in early 1974 of the ending of the Total exchange and of the arrangements which had followed it, their duty was, in our opinion, to make sure that the change in the arrangements notified to HMG was fully appreciated by the responsible members of the senior management of their respective Groups. While it was for the senior managements to decide whether a further approach to HMG was indicated and whether any (and if so what) action should be taken to stop supplies, those managements should have been put in a position to make the decision. Both Mr. Francis and Mr. Sandford raised the matter with their superiors, but neither effectively communicated the important fact that a system of supply was in force which significantly departed, in the renewed involvement of Shell Mocambique, from the arrangements notified to HMG in 1968-1969. This was unfortunate.

14.23 It was further, we think, the duty of Messrs. Francis and Sandford, after learning the true facts in early 1974, to take steps to satisfy themselves, directly or indirectly, that Shell Mocambique had been removed from the chain of supply to Freight Services (or, if it had not, to seek some alternative expedient). While the detailed steps to be taken could reasonably be seen as a matter for the local management, achievement of the result was clearly a matter of direct concern to the Groups themselves in view of their relations with HMG and the obligations of some companies and individuals under the Sanctions Order. Although for a time Mr. Francis believed that supplies had switched to the new rail link, he learned in early 1975 that some (as he thought, residual) deliveries were continuing to be made by Shell Mocambique to Freight Services. He was never positively told that these deliveries had ceased and should not, we think, have let the matter rest. We do not doubt the genuineness of Mr. Sandford's belief, formed as a result of his visit to Matola in October 1974, that the Freight Services traffic had switched from Lourenco Marques to the direct route from South Africa, and we bear in mind the action which Mr. Sandford had already taken and the fact that BP were at this time still two steps removed from formal responsibility for management of marketing in South Africa; even so, we think Sandford was easily satisfied.

14.24 Had the Groups in London appreciated that a change of obvious significance had occurred in the arrangements notified to HMG in 1968-1969, we think it clear that HMG should have been told and consideration given to what (if any) action should be taken to ensure that the Sanctions Orders were complied with. Their failure to tell HMG can be excused only on the basis (which we accept) of their ignorance or inadequate appreciation of the change which had occurred.

14.25 Once it was appreciated by the Groups in January 1968 that a situation had arisen in Mozambique of which the Groups had not previously been fully informed and which was not regarded as acceptable, it should, in our view, have been seen as unsatisfactory (a) for the British-registered company in Mozambique to be managed locally by Portuguese citizens not subject to the 1965 Sanctions Order and (b) for that company to report through and to be operationally subordinate to a management in South Africa which was inhibited in giving full effect to the policy of that Order. BP did at this time ask that the General Manager in South Africa should be relieved of responsibility for Mozambique. Shell had reasons for resisting the proposal and it was not pursued. It seems to us that this was a precaution which could and should have been taken and that the introduction of the Total exchange should not have been regarded as obviating the need for it. When, in 1975, BP appointed an expatriate General Manager in Mozambique, immediately answerable to BP in London, the appointment was unfortunately made without consideration of Rhodesian supplies: deliveries to Freight Services accordingly continued to be made until the Mozambique/Rhodesian border was closed, the General Manager having no instructions to the contrary.

14.26 The letter written by Shell to HMG following publication of the UCC Report in June 1976 was in our view bound to convey the impression, as it did, that the arrangements disclosed in 1968-1969 had remained continuously in force until closure of the Mozambique/Rhodesia border in March 1976. Since Sir Frank McFadzean, as signatory of the letter, had not been informed to the contrary and believed this to be the case, he cannot be blamed. But we think that Mr. Francis, as author of the letter, who knew that it was not the case, should not have allowed this impression to be given. Although we fully accept that he had no thought or intention of misleading either his superiors or HMG, we think that even (or perhaps particularly) at this late stage the need for full disclosure should have been apparent.

14.27 The criticisms which we have made have related in the main to failures to disclose, either within the Groups or by the Groups to HMG. We do not regard these failures as in any way unimportant. The Groups should have been able to base their actions and determine their conduct vis-à-vis HMG on the basis of such full and accurate information as was available. In the context of the relations prevailing between it and the Groups, HMG should have been able to base its policy towards the Groups and to determine its conduct internationally on a clear understanding of the salient facts so far as these were known to the Groups. In the event both HMG and the top management of the Groups, save for limited periods (the early months of 1966, the period of 2-3 years after February 1968 and perhaps the period after March 1976), were ignorant of facts which should have been the subject certainly of consideration and possibly of action. This ignorance led HMG and the top management of the Groups unwittingly to make statements and give assurances which they would not have done with full knowledge of the facts. ■

Labour Conditions and Discrimination in Southern Rhodesia (Zimbabwe)

Conclusions of a Study by the International Labour Organisation

The ILO's study on labour conditions and discrimination in Southern Rhodesia (Zimbabwe) was published in 1978. The 145-page study, designed to identify labour conditions and related patterns of discrimination in Zimbabwe, describes the deteriorating conditions of work affecting the bulk of African workers since the illegal declaration of

"independence" in 1965, and the character and extent of the poverty of the people of Zimbabwe. The study contains suggestions concerning changes needed to alter the existing conditions of work and the long-established structures of inequality. The conclusions of the study are given below.

General considerations

At the political level, the majority of Africans are unenfranchised and rightless. The present illegal Constitution is without international status, is discriminatory against Africans and restricts their opportunities for advancement. It is designed to perpetuate minority control. Consequently, the same minority is able to make use of the state system—at central, local and provincial levels—to foster a system of privilege and inequality which severely damages African economic and social interests. It is vital, in this connexion, to appreciate the extent, form and impact of state control and involvement in the economic system.

Fiscal and revenue policies, as well as investment decisions by central and local administrations and parastatal organizations, have created or reinforced privilege and inequality.

Further, in seeking to achieve these ends, the minority has also used the State to direct and determine labour conditions in spheres under its control in a way which has led to enormous disparities in wages and incomes as well as in conditions of work between whites and Africans. Because the State has become an increasingly important employer in the economy over the years, these disturbing features have become more pronounced. *De facto* discrimination against Africans in state employment has long been a reality.

The economy has grown since 1965 despite sanctions, but the African wage share of gross domestic product and general conditions of employment have not been commensurately improved. Indeed, for African workers, more difficult conditions have arisen, notably since 1965. The situation has deteriorated significantly since 1975.

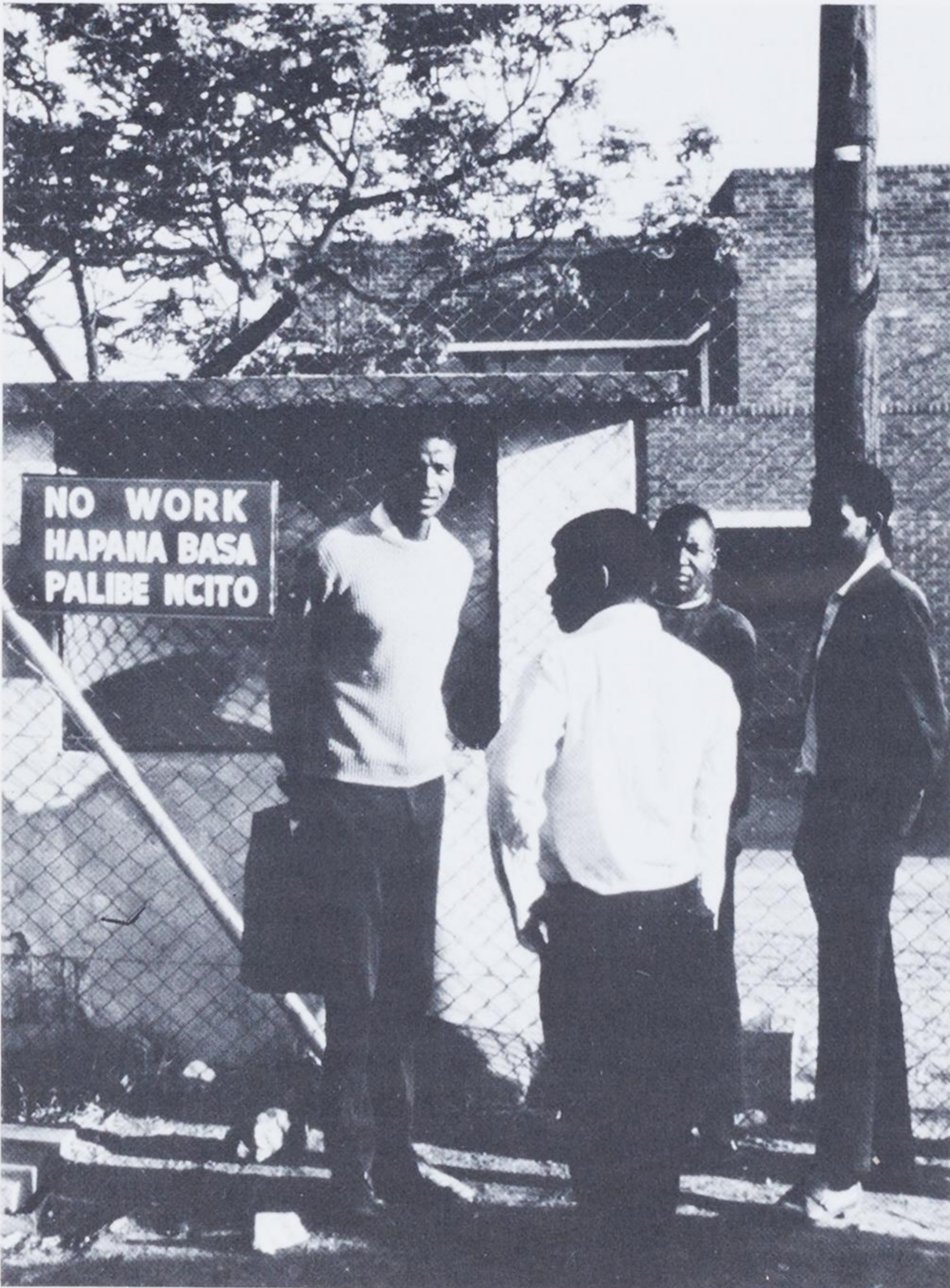
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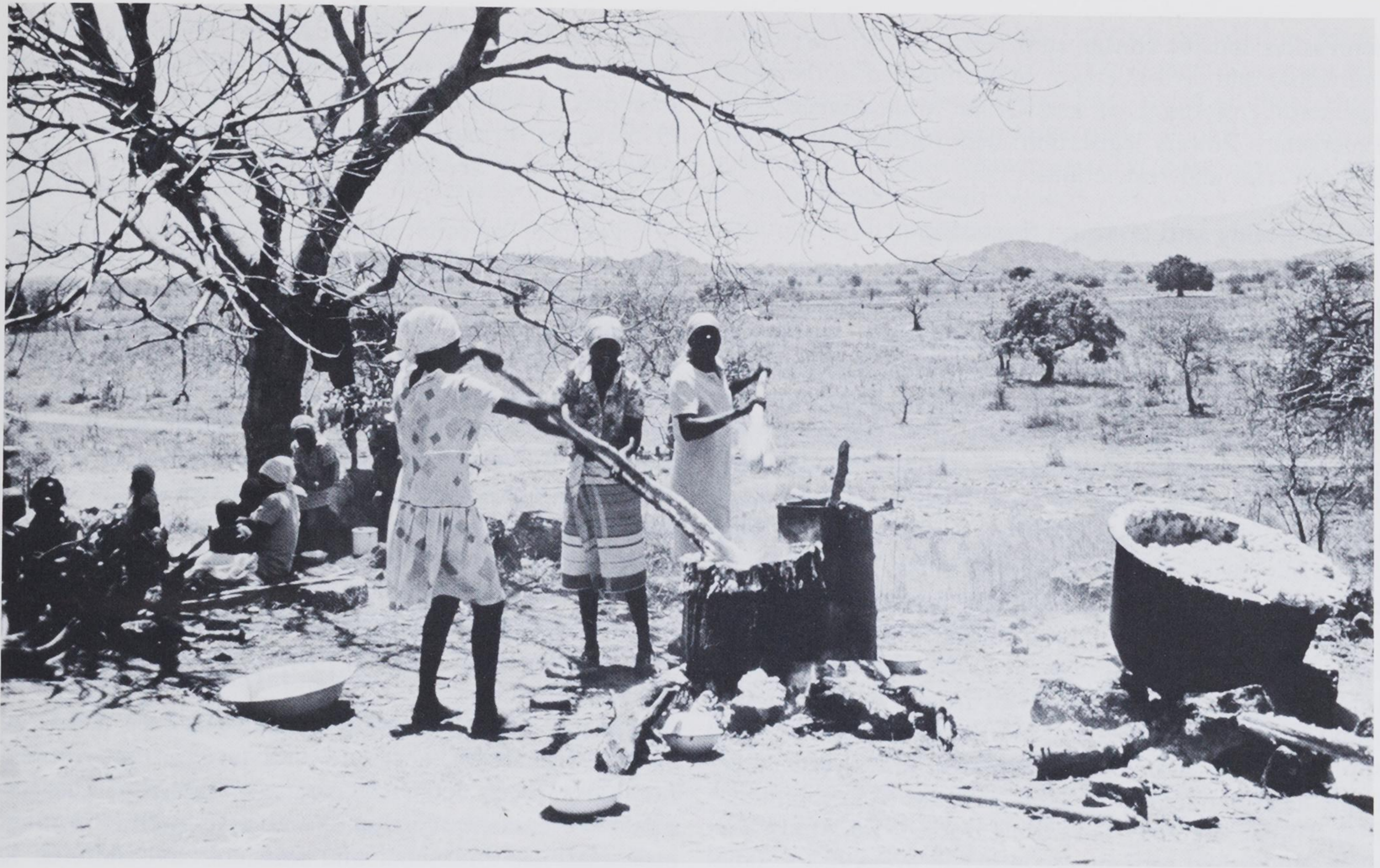
There exists a highly unequal distribution of income and wealth in the society—this in part being reflected in the pattern of land allocation as determined by the Land Tenure Act. Major areas of rural land have in the past been exclusively reserved for whites and this remains true of the bulk of urban land. The ownership pattern bears no sensible relation to the population dependent on the land. In this quarter, African households have been seriously and systematically discriminated against.

The majority of African people live in the rural areas. Many of them are forced to subsist in such places because of legal, economic and social conditions and have few opportunities left open to them. Their standard of living remains extremely low, with average incomes a fraction of those earned by whites. On the other hand, non-African agrarian enterprises have been systematically favoured by policy in the field of credits, extension assistance, financial arrangements, marketing and infrastructural investments. The poverty of rural Africans has been a direct consequence of these biases.

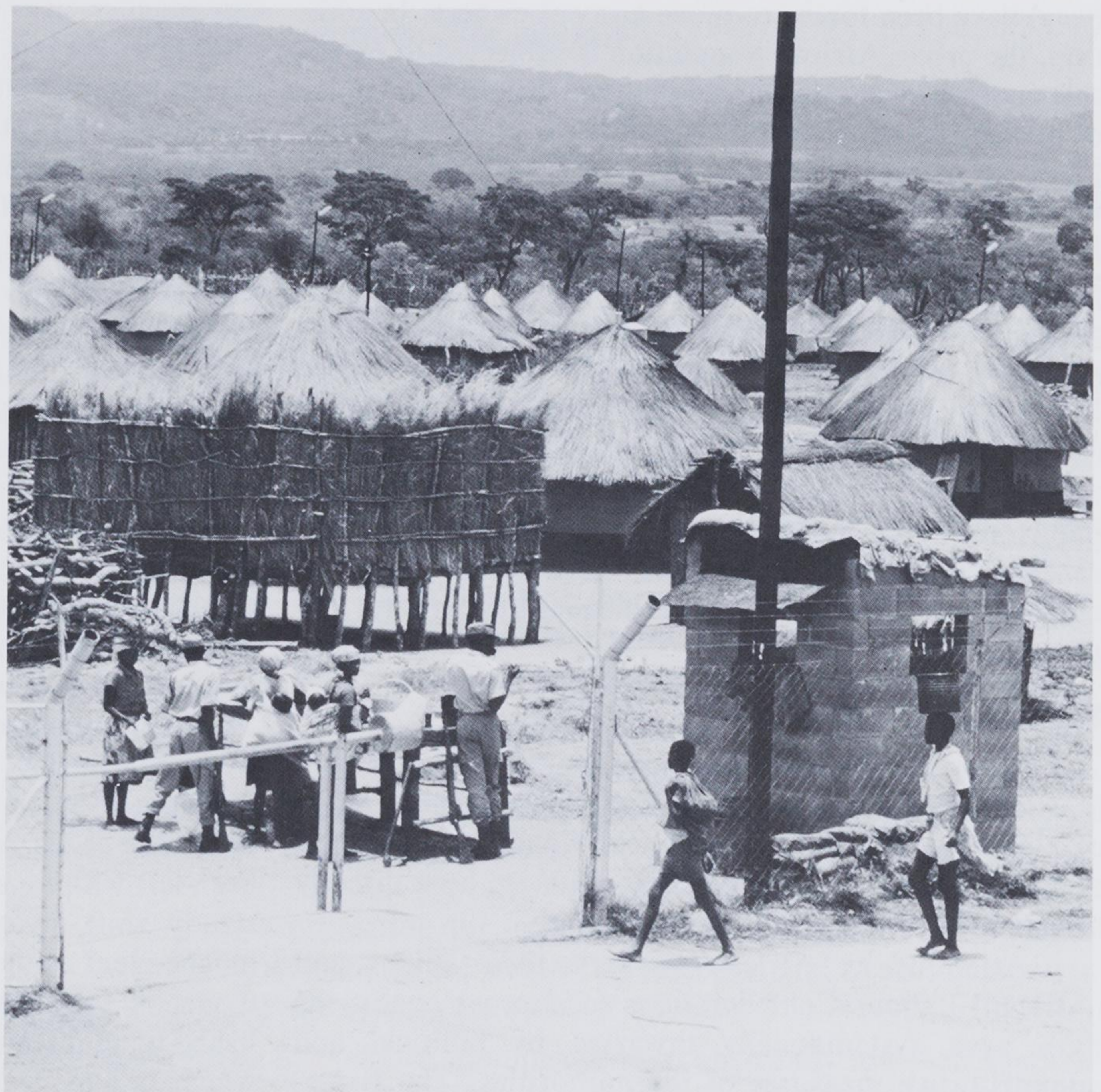
African workers, who have been made partly dependent on the rural economy for their livelihood, have thus been faced with enormous economic difficulties. This state of affairs has been partly responsible for the high concentration and accumulation of surpluses for investment (by corporations, the State and white shareholders). The benefits of such investments, not being within the ambit of influence of the people at large, have been largely directed towards other sectors and groups in the economy. As a result, inequality has been manifested, together with minority privilege.

In general, the pattern of unequal policy affecting African workers has been associated with political





An ILO study of labour conditions and discrimination in Southern Rhodesia (Zimbabwe) found that African unemployment in both urban and rural areas has grown substantially and that the harshest social and economic conditions for workers prevail in respect of domestic and agricultural unemployment. Farm earnings, the ILO states, remain abysmally low.



repression and the continued processes of withdrawal of individual and civil liberties, as exemplified in the harsh application of the Law and Order Maintenance Acts, Emergency Powers legislation, deportations, detentions without trial and restrictions.

Urban policy and unequal financing

The urban African population has grown enormously in recent years. These persons continue to be treated as "useful" only as long as they are actively employed or are performing work for designated employers. They have no effective citizenship rights nor any direct participatory rights or votes in municipal affairs. Very few have any urban tenurial rights. Finance for African urban housing is controlled by white local administrations which adopt as policy practices that effectively discriminate against Africans. There is no cross-subsidization on the African Revenue Account, and hence it is incumbent upon Africans to finance the vast bulk of their own services and housing programmes through charges, rents and levies from low wages. As a result of decades of neglect, there exist massive housing shortages, and many urban residents are forced to become legal or "illegal" lodgers in crowded accommodation. Harsh vagrancy laws are enforced. Squatters who have established settlements in urban areas (e.g., Salisbury) have been forced to move away elsewhere. In addition, the urban African population is subjected to extensive controls over residence rights, movement and choice of accommodation.

Access to education

The educational system is based on discrimination and denies equal opportunity to Africans. State current account expenditure per enrolled pupil on non-African education is ten times as much as that spent on Africans.

The chances of Africans reaching higher levels in the educational system are considerably less than for non-Africans. For example, 43 per cent of enrolled white pupils are in secondary schools as compared to 5.2 per cent of enrolled African pupils. As a result, access to employment is impaired and inequalities are further perpetuated.

The labour situation

The vast majority of African households, probably in excess of 65 per cent, are primarily dependent on wage employment for their subsistence. Conditions of work and an adversely changing labour situation have directly affected the majority of the population.

Attempts by African workers, their unions and (African) Labour Confederations to improve conditions have been systematically thwarted by political and administrative measures of the authorities. The Indus-

trial Conciliation Act—applicable to all sectors except agriculture and private domestic services—has been amended on several occasions (in 1964, 1967, 1971 and 1975) so as seriously to reduce the bargaining power, opportunity for free association and basic rights of trade unionists.

The Act permits enhanced participation rights in unions for skilled as compared with unskilled workers. For example, most of the 60,000 African mineworkers can only join a union which has provisions (framed under section 47 of the Industrial Conciliation Act) for a dilution of the votes of "unskilled workers"—inevitably all Africans. This has allowed minority and/or non-African groups to dominate certain unions, thereby allowing the determination of wage policy to the disadvantage of low-wage workers, especially Africans. In the mining sector, the minimum rates of pay set by the Industrial Council have shown little significant real increase since 1959, and it was only in 1975 that about 8,000-10,000 employees in the "small-worker" sector were given minimum wage protection.

Many African trade unionists have been restricted or detained without trial, a number for many years. Some have been debarred from union activity. This has weakened union leadership as well as undermined union organizations. Members and workers have suffered in consequence.

The right to strike, which has been seriously limited by a number of legal restrictions, has been further curtailed in recent years, notably in amendments to the Industrial Conciliation Act which have so reduced its applicability as effectively to remove this right, except in the most qualified of circumstances. Whilst theoretically applicable to all, this bears most heavily on African workers because of their poor conditions of work and lack of access to other mechanisms of redress.

The African Labour Regulations Act (Chapter 100), covering manual workers in mining, agriculture, trade and manufacture, makes it an offence to offer higher wages to Africans to provoke or attempt to persuade them to break their existing contracts. The Act is also discriminatory in providing for inspectors of *African* labourers, these persons being given quasi-judicial powers and powers of arrest over the latter.

Minimum wage protection has been made relatively weaker in the last five years. Many thousands of African workers, even in sectors which could theoretically fall under the scope of the Industrial Conciliation Act, have been left with no such basic protection. There has been a steady shift away from wage-determination based on independent collective bargaining through Industrial Councils towards reliance on wage regulations established by ministerial decree through Industrial Boards on which unions and workers have no statutory member-

ship rights. The average rate of increase in the floor level of minimum wages has fallen seriously behind changes in the consumer price index. Minimum wages are set at an extremely low base level, well below minimum costs of living as indicated by reliable poverty datum line studies. Consequently, many thousands of African families have been left in dire poverty as the rate of inflation, today running into double figures, continues to increase. Now, too, higher sales taxes are levied on disposable incomes, these taxes being especially repressive on low-income African households.

In the apprenticeship field, Africans continue to encounter powerful conventional job barriers. The small number of African apprentices does not reflect either the population balance at large or the availability of eligible African candidates. African technical training remains an area of serious and conscious neglect on the part of the administration, which has neither established nor encouraged sufficient opportunities for Africans.

Migration and discrimination

The central administration continues actively to finance and to promote white immigrant inflows. The policy is inherently discriminatory and results in blockages to the employment and occupational advancement of Africans. At the same time, the administration has adopted policies of forcing African workers of foreign origin (by birth), through the Closed Areas labour policy, to work either on plantations and farms at low wages or to repatriate themselves at substantial personal cost. Nowadays, many have no option but to work as "cheap labour" on farms and in mines.

So far have conditions for African workers deteriorated of late that the administration contracted with the South African Government and Chamber of Mines in late 1975 for the export of workers on 12-month contracts to the South African gold mines under a scheme involving compulsory remittances of 60 per cent of basic earnings. The decision to send workers under such contractual conditions to a country in which African workers suffer the effects of *apartheid* has been taken in preference to the formulation and implementation of internal reforms of social and economic structures in regard to rural development, employment policy and patterns of discrimination. In addition, elements of the policy tending towards compulsion to labour have been promoted in collaboration with the South African Government under a deferred pay scheme in respect of Zimbabwean workers in South Africa.

Prison labour

Many thousands of prisoners are required to perform hard labour. A large number of these individuals must work on state-owned farms or enterprises which

grow food to be used to feed the prison population. Many of the prisoners are young first-offenders who have not had funds to pay the optional fines levied on them. Such persons have often been those without jobs or means of subsistence. A high proportion have been convicted for minor offences, many closely connected with urban influx-control mechanisms.

Forced "villagization"

Since 1974, many thousands of rural African people, including women and children—well in excess of one quarter of a million—have been forced to reside in rapidly established "protected villages" and "consolidated villages" under the administration of military or quasi-military authority. The conditions of establishment of these villages have seriously disrupted the social and economic lives of the rural African population, a fact which has been reflected in output and consumption. The regulations governing life in these villages follow an extremely strict régime which subordinates all crucial matters regarding livestock, housing and education to decisions of the authorities. "Protected villages" are fenced, and entry and exit are through guarded gates. The authorities are empowered to extract forced labour from village inhabitants between 12-60 years of age under certain conditions.

Farm-worker poverty

The harshest social and economic conditions for workers prevail in respect of domestic and agricultural employment. These are, to a significant degree, the result of the use and retention of the 1901 Masters and Servants Act as the major instrument of control over labour in these sectors. Despite criticism of its discriminatory and coercive provisions, the authorities have persistently refused to repeal or amend this Act. Most of its clauses are penal provisions, and breach of contract of employment is treated as a criminal offence. It does not provide for any institutions for collective bargaining nor any minimum wage protections. It continues to be used to keep down the standards of living of 350,000 farm-workers and 135,000 private domestic employees who, with their families, account for more than one and a half million people (roughly one quarter of the total population).

The authorities claim the Act is non-racial in character but pointedly ignore its profoundly repressive features and denial of social justice. Its provisions conflict with ILO measures for the abolition of forced labour. The Act provides no mechanisms for union formation or protection for unions. Indeed, it has been one obstacle placed in the way of unionization and free association in the sectors to which it applies.

Farm earnings remain abysmally low—on average, around \$RH18.00 monthly in cash and kind. They have

hardly improved in real terms for two decades. The obstacles to worker organizations in commercial agriculture do not enable employees to fully protect their interests or those of women and juveniles who are employed extensively in the industry as largely casual but sometimes permanent employees.

Unemployment

African unemployment has grown substantially in urban and rural areas, the administration's policies being a major contributory factor in this situation.

No unemployment insurance act exists and no statutory provisions have been made for means of subsistence for unemployed Africans. Officials regularly disclaim the existence of African unemployment despite a rising trend and massive social hardships which result.

No statutory pension rights exist for Africans, although they are provided for non-Africans under specified conditions. Levels of gratuities and private pension arrangements as found in some sectors are patently inadequate to meet the liability and costs of retired African workers. Many retired Africans are forced to eke out a subsistence in the rural areas in their old age—often as a consequence of losing accommodation rights in urban areas and on private farms once they can no longer work. Others must continue to work beyond the age of retirement out of sheer economic necessity to survive.

Pressures for change

A variety of pressures for change have emerged as a result of labour and social conditions in Zimbabwe. Some of these may be noted.

The most all-embracing pressure has been the onset of armed conflict and its intensification in recent years. It has caused not only changes in the economy but in political attitudes as well. African nationalist political groups have also emerged more prominently since the 1971 Pearce Commission and are for all intents and purposes explicitly recognized as a major factor in the situation. As far as workers *per se* are concerned—despite extensive controls—unions and African labour confederations continue to organize and push for changes in conditions of labour. Certain church bodies have also assisted in this direction.

International pressures—in the form of sanctions, boycotts and embargoes—continue as in earlier years. A number of United Nations agencies, for example, the ILO and UNESCO—have begun to give more active assistance to groups intent upon achieving better social relations in the country.

Internally, the administration has begun belatedly to register cognizance of the existence of some of the existing problems, for example, as evidenced in the constitution of the Quenet Commission of Inquiry into Racial

Discrimination in 1976. But it has excluded many areas of necessary reform from its policies and has even resisted the introduction of a number of the particularly mild proposals advanced by the Quenet Commission. Instead, it appears to have sought to promote a massive extension of control mechanisms in social, economic and political life.

Areas of life in which the Quenet Commission has recommended change and where the administration has acted, and which furthermore have begun materially to affect conditions of labour, are very few. Indeed, when viewed against what is needed, present efforts by the administration can be seen to be almost negligible.

Basic requirements

The inherently unjust basis of the franchise and political system underpins and promotes inequality of opportunity in the country.

The rapid attainment of majority rule will therefore provide a condition for the achievement of human rights and their extension to the field of labour and social relations. It will also provide an opportunity for the disestablishment of a wide range of repressive controls which currently deny civil liberties to the African population in rural and urban areas, particularly in the employment field.

A new environment for democratic decision-making could also ensure the reformation of social and economic policy to reduce the degree and incidence of inequality in the distribution of income, wealth and opportunity. Here a major focus could be land allocation as well as agrarian policy, both being reformulated to raise the living standards of the poorest groups in society.

The labour situation requires remedial attention at a number of levels. In terms of legislation, attention needs to be given to repeal of the Masters and Servants Act and its replacement by legislation enabling protection for unions and workers, opportunity for collective bargaining and freedom from restriction on association and organization. In the field of labour administration, the discriminatory African Labour Regulations Act also requires substantial amendments to remove disadvantages it imposes separately on African workers.

The Industrial Conciliation Act will need reformulation to ensure that the basic rights of unions and employees are not circumvented or repressed, and measures which discriminate against African workers, especially those presently affected by section 47, might be replaced by those which offer opportunity for the implementation of basic international standards in the field of industrial relations.

The right to strike should be applied in practice to all workers, as well as founded in law.



In Southern Rhodesia (Zimbabwe), many thousands of rural African people, including women and children, have been forced to live in "protected villages" under the administration of military authorities. "Protected villages" are fenced, and entry and exit are through guarded gates.

Greater measures could be taken to provide minimum wage protection for all employees, to ensure that wage determinations derive from negotiated settlements and not autocratic ministerial impositions, and that the legislated protections are rigorously enforced and monitored, as well as regularly improved upon.

Discrimination in employment policy in the public services and in the *modus operandi* of employment and apprenticeship policy should become the focus for meaningful change.

Restrictions on the movements of workers and their families should be abolished, notably those which create unjust and socially unacceptable conditions of life in urban and rural areas.

Consideration could be given to the establishment of a statutory system of social security, as well as unemployment insurance. Both these initiatives on social policy would materially improve conditions throughout the economy. Special attention should be given to disadvantaged groups, at present left completely unprotected by law or social policy.

Major efforts need to be directed at transforming the living and working conditions of the vast impoverished bulk of the farm-worker population. This complex task will require thought and planning and should be approached in the light of a comprehensive development strategy for the agrarian sectors of the economy.

A reassessment of municipal finances should provide greater means to cope with growing problems in housing, services and other basic needs which are presently being experienced by growing numbers of urban and rural poor. Here consideration could be given to policies affecting health, transport, residence rights and education. Discriminatory educational policies should be discontinued. New educational perspectives might be introduced. Limitations placed in the past on technical training could be overcome and a restructuring of skills effected.

These specific measures would need to be assessed in the light of broad development strategy and planning.

Zimbabwe is a country on the threshold of major transformation. It is vital that such change as does occur is conducive to the raising of the standards of living of the whole population and furthermore does not echo the past in the way in which previous policies have seriously damaged the interests of African workers and their families, who together constitute the vast majority of the country's citizens. International effort should ensure the implementation for Zimbabwe of the basic principle enunciated in Article 2 of ILO Convention No. 117 (Social Policy (Basic Aims and Standards) Convention, 1962), namely that "the improvement of standards of living shall be regarded as the principal objective in the planning of economic development". ■

Transnational Corporations in South Africa: Impact on Financial and Social Structures

Excerpts from a report prepared by the United Nations Centre on Transnational Corporations at the request of the Commission on Transnational Corporations and published in May 1978. The report, the full title of which is "Activities of Transnational Corporations in Southern Africa: Impact on Financial and Social Structures", covers mainly South Africa, but also Namibia and Southern Rhodesia/Zimbabwe.

The Commission on Transnational Corporations, which was established by the Economic and Social Council in December 1974, held its fourth session in May 1978. In August, the Council, after considering the Commission's report, adopted a resolution reaffirming "the inalienable right of the indigenous peoples of southern Africa to permanent sovereignty over their natural resources and all economic activities" and strongly condemning "the continued investments and the exploitation of cheap black labour by transnational and other corporations which continue to collaborate with the racist régimes in southern Africa". It urged all transnational corporations "to comply strictly with the relevant United Nations resolutions by terminating all further investments in southern Africa and by ending their collaboration with the racist minority régimes."

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

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

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

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

Demands for change in the system of *apartheid* have intensified and broadened during the last year. The authorities have responded to domestic protests with intolerance, as manifested by the dramatic events in Soweto in 1976 and the repressive actions taken against leading organizations and individuals in the autumn of 1977. These developments brought widespread criticism both within and outside South Africa.

Successive Governments in South Africa have placed a high priority on attracting foreign investment. To this end, South Africa offers a variety of incentives

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

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

For instance, since 1960 wholly owned affiliates of transnational corporations have been limited in their local borrowings to 25 per cent of the effective foreign capital invested. In July 1976, a Reserve Bank directive further curbed local borrowings by transnational corporations. Financial analysts see transnational corporations as having one of three responses to this new regulation: taking on local partners, which increases the amount of local borrowing permissible; limiting expansion; or bringing in foreign funds.

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

During the 1970s, the South African Government has encouraged and, in some cases, required an increase in the local ownership of financial institutions. The banking sector in South Africa, as elsewhere, has always been closely regulated. Moreover, in order to discourage further foreign control in the banking sector, in the mid-1970s the authorities directed that majority local owner-

ship in banking institutions should be achieved. In the insurance industry, the Financial Institutions Act of 1976 mandated majority domestic ownership within a three-year period.

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

Home Government policies

Some home Governments have taken actions which may affect the subsidiaries of transnational corporations in South Africa. On 20 September 1977, the Council of Ministers of the European Economic Community made public a voluntary Code of Conduct for enterprises based in EEC countries with subsidiaries, affiliates or representative offices in South Africa. The Code deals with industrial relations, migrant labour, terms of employment and living conditions of employees.

With respect to employment practices, the Code provides that the enterprises should ensure that all employees be allowed to choose freely a form of workers' representation. In particular, employers should ensure that their black employees are free to form or to join a trade union and should inform their employees that collective bargaining with freely elected employee organizations is company policy. The Code specifically recommends that corporations should ensure equal pay and working conditions for employees and should offer all jobs to any worker who possesses suitable qualifications. The Code also recognizes that salary levels must go beyond the absolute minimum necessary for a family to maintain its well-being, and it suggests that enterprises

should concern themselves with the living conditions of their employees and families by allocating funds to housing, health service facilities, retirement plans, transportation to work, education, industrial insurance and unemployment programmes for black employees.

The Code reaffirms that the system of migrant labour in South Africa is an instrument of the policy of *apartheid*, and that employers have the social responsibility to help ensure freedom of movement for black workers and their families. The Code provides that employers should do everything possible to abolish any practice of segregation at work places, in canteens, in education and training, and in sports activities. Finally, the Code provides that the Governments of the nine member States of the European Community will review annually the progress made in implementing the Code.

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

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

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

The Federal Republic of Germany decided to limit government guarantees for exports to South Africa to individual transactions under DM50 million and to consider only short- and medium-term guarantees. Exceptions may be made for orders which could have significant impacts on employment in certain sectors. Furthermore, companies receiving guarantees must observe the EEC Code of Conduct and pledge that there will be no re-export of German goods from the Federal Republic of Germany to Southern Rhodesia/Zimbabwe.

Sweden and Norway have established official committees to investigate the conditions for and consequences of prohibiting transnational companies from future export of capital to South Africa and Namibia. The Swedish Government has requested a parliamentary committee "to draft legislation prohibiting the export of capital to South Africa and Namibia in conjunction with company investments in these countries". It has also been reported that an official working group is currently framing a code of conduct for firms based in Switzerland.

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

Stocks of direct foreign investment

In spite of the economic, political and statutory developments described above, the stock of direct foreign investment in South Africa continues to expand.

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

The methods used by transnational corporations to finance their investments and their policies on remittances to the home country of locally earned profits provide some clues as to corporate responses to prevailing conditions. Some aggregate data are available up to the end of 1976 for United States-based firms.

The 1976 data imply an increasing degree of caution among United States investors. This sense is reinforced by the findings of some recent surveys of individual companies. One survey of 52 United States-based transnational corporations reported that 30 of them had no plans to increase investments for the next five years and seven were actively contemplating withdrawal. According to another survey, South African subsidiaries of United States-based transnational corporations in South

Africa traditionally reinvested over 60 per cent of their earnings in South Africa. In 1976, however, only one third of their earnings was reinvested.

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

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

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

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

ACTIVITIES OF TRANSNATIONAL CORPORATIONS IN THE BANKING AND FINANCIAL SECTORS

There has been a close connexion between South Africa and foreign capital markets for over 75 years. At the turn of the century, large amounts of capital were required for the development of South Africa's gold mines. Over the years, the role of foreign capital has evolved and expanded as transnational banks began to provide a diverse range of banking and financial services. The rapid growth of the economy after the Second World War was facilitated by these institutions, which mobilized domestic capital, provided contacts and advice to transnational corporate clients, and channelled international capital into the economy.

The South African economy became more reliant on foreign capital during the 1970s. In 1968 and 1969, total foreign liabilities were the equivalent of 44 per cent of gross domestic product, as compared to 60 per cent in 1974 and 1975. These foreign liabilities have been made up increasingly of foreign borrowings, as opposed to equity investment. At the same time, South African authorities have attempted to increase local participation in and control over the financial sector, as evidenced by the Financial Institutions Act of 1976 mentioned above. Such control over the banking and financial

sectors will obviously be crucial in the event of economic sanctions.

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

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

South Africa's need for foreign capital is also due to its sharp increase in military expenditures, made up largely of the purchases of sophisticated armaments from abroad. South Africa's defence budget was \$688 million in 1973, \$1 billion in 1974, \$1.2 billion in 1975 and \$1.6

billion in 1976, representing more than a 120 per cent increase from 1973 levels. In 1977, a \$1.9 billion defence budget was announced, a 21.3 per cent increase over 1976.

These factors, coupled with the fall in revenue associated with the domestic recession, meant that much of the proposed increase in public authority and government consumption expenditures for 1977 had to be financed through borrowing.

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

The major transnational financial institutions

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

Barclays National Bank, Ltd., and Standard Bank of South Africa, two British banks which have pre-Boer War roots in the Transvaal, are by far the largest transnational banks operating in South Africa and Namibia. Their South African affiliates control approximately 57 per cent of the total assets of the 20 largest banking institutions in South Africa. The shares of both banks are quoted on the Johannesburg Stock Exchange, but the British parent firms retain a majority of shares. The affiliates of three other transnational financial institutions, Hilsam, Citibank and French Bank, are among the top 20 South African banks. Their assets in South Africa, however, constitute only approximately 3 per cent of the assets of the top 20 financial institutions.

The Barclays Group. Barclays Bank, Ltd., is the twelfth largest banking institution in the world. Barclays Bank International manages the Group's international business. More than one fourth (26.71 per cent) of Barclays Bank International's total current, deposit and other accounts are held in southern Africa. In comparison to southern Africa, current, deposit and other accounts of the Group in Continental Europe, the Mediterranean and the Middle East, the United States, Canada, the Pacific, the Far East and Australia amount altogether to 23 per cent. Barclays South African subsidiary—Barclays National Bank, Ltd.—in which the Group holds a majority interest of 63.8 per cent, is the largest and most rapidly growing of all the transnational parent's business outside of the United Kingdom itself. The assets of Barclays National Bank have risen from

R1.6 billion in October 1971 to R4.2 billion in October 1976, making it not only the largest commercial bank in South Africa, but also the largest organization in asset terms in that country. The number of the Bank's offices in South Africa and Namibia grew to more than 900 in 1976. In Namibia alone, Barclays National Bank and its subsidiaries maintain over 45 offices.

Despite the general depression which affected the South African economy in 1974-1975, Barclays National Bank showed "very satisfactory" results. In the period 1971-1976, profits of the Bank rose more than twofold, from R12.5 million to R27.6 million. In 1977, the Chairman of the Barclays Group reiterated the parent organization's determination not to dispose of its South African investments. At the same time, Barclays National Bank forecast a continuation in the growth of profitability.

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

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

Hilsam, a member of the United Kingdom-based Hill Samuel Group, is third largest transnational bank in South Africa in terms of assets. Hilsam, established in 1960 by the Hill Samuel Group to conduct merchant banking business in South Africa, is the largest subsidiary of the parent corporation. Merchant banking is still

the most important activity of Hilsam, along with insurance and pension funds. Another Hill Samuel operation is the wholly owned African Pension Trustees.

Citibank is the fourth largest transnational bank in terms of assets in South Africa but it ranks only nineteenth in South Africa. Citibank (then the First National City Bank of New York) set up its first South African branch in 1958. It now has eight branches located in the major industrial centres. In 1963, the First National City Bank of New York acquired 16 2/3 per cent of the shares of the United Kingdom-based firm, M. Samuels, which provided an additional channel for its South African business through the Hill Samuel Group's South African subsidiary.

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

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

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

Africa, because of the paramount role these banks play in the ownership of corporate stocks.

The banks based in the Federal Republic of Germany have not opened branches in South Africa, but operate through affiliates or representative offices. In recent years, they have shared ownership of their representative offices with other European banks. This apparently reflects the European trend towards participation in consortia in an attempt to compete more effectively with United States-based banks.

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

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

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

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

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

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

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

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

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

Services provided by transnational banks

The South African affiliates of transnational banks and financial institutions provide a full range of financial services to whites. Commercial bank affiliates of transnational banks advanced almost R3.8 billion in various forms of domestic credit to the public and private sectors in 1975, the last year for which data are available. Most of these (77.6 per cent) were general loans. The rest were in the form of hire-purchase loans, leases and acceptances.

The affiliates of transnational banks accept deposits from Africans, but invest their funds primarily in white-owned businesses. The banks have generally been reluctant to lend funds to blacks who cannot own property in white areas and whose tribal land rights in the "homelands" are not acceptable for security.

At the end of 1975, the first predominantly African-owned bank, the African Bank of South Africa, opened a branch in one of the "homelands". Blacks own 75 per cent of the African Bank, while the rest is held by Barclays, Standard, Nedbank, Trust and Volkskas. The African Bank's Board of Directors is made up of seven

blacks and three whites, who represent the five major banks.

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

Transnational financial institutions in South Africa also play a role in mobilizing the smaller savings of individuals through insurance and pension programmes. Foreign participation in the insurance industry has gradually diminished during the last decade. Since 1976, when the South African Government ordered a majority domestic ownership of all insurance companies within three years, the industry has become almost entirely South African in a legal sense. However, most firms which were previously owned by transnational financial institutions remain under the effective control of the parent company. The official move to domesticate the industry marks official recognition that insurance companies control a significant share of the national wealth. At the end of 1975, life insurers controlled R4.8 billion worth of invested funds, slightly more than one half the amount controlled by commercial banks. Domestic control over the institutions in this industry lessens their vulnerability to international economic pressures against the régime.

The South African Government prescribes that a certain percentage of insurance and pension funds be held in the form of government stocks, thus guaranteeing itself a source of long-term capital. Seeking new sources of funds to cover mounting expenditures, the South African authorities in 1975 required insurance companies to buy an additional 2 per cent in government stock. In 1976 this was again increased by 2.5 per cent, bringing the investment in government stocks to 17.5 per cent for insurance companies and 22.5 per cent for pension funds. The resulting new investment by insurance and pension funds in government and parastatals in 1977 totalled approximately R760 million. Thus, part of the investment by transnational financial institutions in insurance and pension funds has to be available to the authorities. While similar arrangements are common in many countries, the point here is that affiliates of transnational corporations with capital invested in these sectors cannot avoid collaboration with the régime.

The provision of credit

Foreign borrowings constitute the most rapidly growing segment of South Africa's total foreign liabilities.

Transnational banks and financial institutions are the dominant source of credit for the South African economy. At the end of 1976, borrowings from international financial markets stood at R7,504 million. This trend probably reflects in part the growing importance of the Eurodollar market as a source of funds in the mid-1970s.

Another measure of the role of transnational banks in providing credit is a report from the Bank for International Settlements which shows that South Africa's debt to transnational banks at year end 1976 stood at \$7.-\$7.6 billion. At the same date, South Africa's outstanding international credits included an additional \$1 billion in the form of bond issues, bringing the total to \$8.6 billion.

Public sector credit. The categories used by the South African Government to report foreign liabilities make it difficult to isolate public sector borrowings.

The Nedbank Group has estimated that at the end of 1976 the foreign debt of South Africa's public sector, including public corporations, was approximately R3.3 billion (\$3.8 billion). While the amount of credit provided to public borrowers by transnational financial institutions is not precisely known, the pattern and distribution of these credits from 1974 to the end of 1976 are known. Banks from six countries—the United Kingdom, the Federal Republic of Germany, France, the United States, Switzerland and Luxembourg—are the most active bond sale managers or lenders, and they have frequently organized consortia for particular loans. While there is usually a lead bank from one country, banks from several countries often participate.

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

Chase Manhattan Bank announced in April 1977 that in the future it would "exclude loans that, in our judgement, tend to support the *apartheid* policies of the South African Government", but it would continue "to consider loan proposals for projects of a productive nature which we believe will result in social and economic benefits for all South Africans". Criteria for determining what official projects or public agencies would qualify under the existing régime have not been specified. In March 1978, Citicorp announced that it

would cease granting loans to the South African authorities and to companies owned or operated by the Government, but would continue to lend to private sector borrowers "that create jobs and benefit all South Africans".

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

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

Insurance and guarantee programmes

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

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

The Export Credit Guarantees Department (ECGD) of the United Kingdom extends an unconditional guarantee covering all risks for bank loans related to British export. Although ECGD does not finance exports directly, it may back bank loans.

The Federal Republic of Germany provides extensive export credit facilities. The Federal Government's export insurance system is administered by two private

companies, Kreditversicherungs-AG (Hermes) and Deutsch Revisions and Treuhand-Ag (Treuarbeit). The guarantees primarily involve financing for the export of capital equipment to South African Government-owned utilities by major FRG companies already operating in South Africa. Between 1970 and 1977, the value of these guarantees grew from DM407.8 million to DM2.8 billion. Loans exceeding DM6 million must be approved by an interministerial committee. Thus, although the FRG guarantee programme is managed privately, many of the loan arrangements receive official scrutiny.

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

The Japanese Government permits its banking community to finance the growing trade with South Africa. The Ministry of International Trade and Industry funds a variety of export insurance programmes; in 1976, it spent ¥13,610 billion on these programmes world-wide.

Participation in gold transactions

The sale of gold in 1976 contributed 27 per cent of South Africa's foreign exchange earnings. South African gold sales are made entirely on the London and Zur-

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

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

EMPLOYMENT PRACTICES OF TRANSNATIONAL CORPORATIONS AND SOCIO-CULTURAL IMPLICATIONS

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

Initially, the Government declared that whites would not be allowed to invest in these areas; all finance for development was to be provided by the Government. In 1968, this policy was changed, and white investment was permitted through the South African Bantu Trust or through public corporations set up for different "homelands".

While some transnationals have made commitments in the "homelands", the amount of investment, both public and private, is quite limited. Data are not available on the total amount of foreign investment here, but it is only a small fraction of the total investment in South Africa. The virtual absence of industrial activity, the lack of an infrastructure, and the poor resource base in the "homelands" severely restrict employment opportunities and thus ensure a large supply of workers from these "homelands" for the white areas.

In order to utilize labour from the “homelands” in white areas and still retain the principle of racial separation, the Government has encouraged industrial development in the white border areas located near the “homelands”. Black workers here are subject to the same restrictions specified for black workers in white areas, except that they may engage in semi-skilled work. The investment of private capital in the border areas, domestic and foreign, has been encouraged through various incentives, including permission to pay lower wages than in white areas.

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

Blacks are permitted to live in white areas only if they are “productive”, in the sense of being employed. Once this requirement is met, they are limited in their movements and residence; their working conditions are strictly regulated and they are denied the union rights granted to white workers. Coloureds and Asians are also discriminated against; although the system is complicated, in general these groups occupy an intermediate position between Africans and whites in terms of their rights and restrictions in the labour market. The legislation discriminates between, on the one hand, the whites, Coloureds and Asians, who are considered “employees” and have a certain number of trade union rights, and, on

the other hand, the Africans, who are not considered to be “employees” and are excluded from whatever rights accrue to the other groups due to the Industrial Conciliation Act of 1956.

The ongoing refinement of *apartheid* through the introduction of new legislation and the amendment of existing laws demonstrates that the presence of massive foreign capital in South Africa since the Second World War has not been accompanied by a moderation of official policy.

Job creation

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

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

DISTRIBUTION OF NEW JOBS BY RACIAL CATEGORY, 1960-1976

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

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

*In 1976, the racial distribution of the total labour force was: Africans, 59 per cent; whites, 27 per cent; Coloureds, 11 per cent; and Asians, 3 per cent.

It must be emphasized, however, that although some blacks have advanced due to growth in the economy, such progress cannot be considered far-reaching or permanent under the present system. The pattern of unemployment during the 1970s demonstrates this point. Despite economic growth, there has been a steady increase in black unemployment in urban areas and white rural areas, from 6.1 per cent in 1970 to 10.9 per cent in 1976.

It has been estimated that in 1976, for a black labour force of 4,855,000, unemployment was growing by at least 9,000-10,000 per month. The increase in black unemployment in white rural areas has been even more dramatic, rising from 1.7 per cent in 1970 to 22.1 per cent in 1976. While unemployment among whites, Coloureds and Asians increased from 1974 to 1976, the number unemployed at the end of 1976 represented less than 1 per

cent of the number of persons employed in this category. A comparison of changes in urban unemployment for blacks versus whites, Asians and Coloureds during the 1970s shows that economic recession has had a proportionally greater impact on black workers.

The legal structure of *apartheid* was strengthened during the 1960s, a period of economic boom. The Government has attempted to resolve the economic problems caused by *apartheid* by increasing political control over the movement of blacks in white areas. The official position is that automation and white migration will alleviate the need for employing blacks in the white economy.

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

Wages

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

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

medical expenses and education. A major problem in assessing the wage policies of many transnational corporations is their policy of citing average wages while giving no indication of the pay for the lowest categories of work.

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

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

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

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

A private survey in 1973 of 100 United Kingdom-based firms operating in South Africa showed that the majority of them paid black employees substantially below the PDL. An official investigation conducted in 1974 concluded that the wage policies of most United Kingdom-based corporations were indistinguishable from those of their South African counterparts. The results of an inquiry by a sub-committee of the United States Congress in 1971 indicated a similar pattern for United States-based firms. A private study of transnational corporations based in the Federal Republic of Ger-

many, released in 1973 by a member of Parliament, showed that 25 major firms paid 50 to 78 per cent of their black employees below the PDL. An investigation of Swedish-based firms in 1974 also showed their general conformity with South African standards.

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

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

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

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

Industrial relations

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

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

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

Dominant characteristics of South African society

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

Despite the official promotion of separate ethnic cultures, most South Africans now operate within the framework of Western values and seek and rely upon employment in a wage economy. Yet they face in their daily lives the exercise of constant control by a State in which the black majority is unrepresented politically. In such circumstances, all sense of ethnic culture is superseded by the weight of the materialistic culture. In these

terms, South Africa has a single dominant culture, comprised of a subculture of wealth and subculture of poverty. Since whites have a near monopoly of skilled positions, only a very small proportion of non-whites are wealthy. Thus, the two subcultures seem to be white-and-wealthy and black-and-poor.

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

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

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

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

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

Concluding remarks

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

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

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