THE SOUTH AFRICAN ECONOMY
AND
UNITED STATES INVOLVEMENT
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Papers prepared by a research project sponsored by

The American Committee on Africa

December 1965
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INTRODUCTION

In March 1964, the American Committee on Africa published a short polemical analysis titled "Partners in Apartheid -- US Policy on South Africa," as a special issue of Africa Today. Two editions of the issue were widely distributed and well-received. Our main purpose was simply to draw attention to the symbiotic relationship between apartheid and a certain segment of the American business community.

In the months that have passed since, we have received many calls for more information. Concerned individuals and groups found this initial presentation of evidence of the relationship useful and now wanted more precise and detailed information. It was thus that, in the summer of 1965, we supported a research project to probe further into American involvement in certain critical sectors of the South African economy: the automobile and rubber industries, banking and finance, mining, etc. As in our previous study, the role of Charles Engelhard warranted special attention. A general analysis of the South African economy was felt also to be necessary to place the papers in their proper framework.

The researchers were four students: Kim Bush, a graduate of Brown University, headed the group; he had spent two years with a project in Tanganyika and is now in graduate school at Syracuse; Judith Bennion Bush, a graduate of Stanford and with a master's degree from Bryn Mawr, who had worked for a year as assistant to the Director at ACOA; Richard Thomas, M.A. from Oxford University in geology, and now a Fulbright Scholar in the US; and Judith Thibeau of Boston University. George Houser and Collin Gonze were the coordinators of the project.

The facts were put on paper to speak for themselves. Nevertheless some assumptions were made but not spelled out. These were:

1. that apartheid is morally wrong and the conflict between the races, which it exacerbates, can lead only to tragic struggle and bloodshed unless change is achieved soon;

2. that the US Government and Americans are playing a significant role in bolstering the South African economy, which in turn helps to perpetuate apartheid;

3. that the long-run course that America should follow toward South Africa is one of economic disengagement.

The purpose of this study, however, was not to devise a strategy for disengagement, but rather to round up the facts so that sensible strategies might be developed.

In summing up the results of the research, our attention is drawn to certain general conclusions. The first is that South Africa is moving as rapidly as possible toward economic self-sufficiency, under government prodding, and primarily to protect the apartheid system. At the same time, South Africa is becoming increasingly politically isolated. This isolation has not been reflected by a decrease of the economic growth rate, though it might in the
future. Some business and political leaders recognize this possibility—hence the race toward self-sufficiency. There is no doubt that external loans and credits contribute significantly to this trend. Traditionally, the South African economy has revolved around mineral wealth and agriculture. This remains true today to a considerable extent, but the industrial and manufacturing sectors have grown considerably, which has, in turn, encouraged local capital accumulation. The paper on rubber, for example, points out that South Africa is the world's largest rubber consumer. By 1966 the Republic will be able to meet its needs for general purpose rubber. Through the government-supported Industrial Development Corporation, $9.8 million has been allocated to the construction of a synthetic rubber plant. More than 60 percent of the fixed capital investment in the plant was covered by local materials and labor. Another example is the production of an excellent quality, low-priced steel, made possible by cheap labor, cheap coal, and government credits.

Similarly, in the automotive industry, the government is placing great emphasis on producing components such as hydraulic brakes, pistons, exhaust pipes, etc., domestically. Frequently, because of the small size of the local market, plants must produce for export as well.

The South African Government has set itself a major role in leading this trend toward self-sufficiency by sponsoring corporations such as ISCOR (iron and steel), SASOL (synthetic oil from gas), and so on. Loans and credits from banks such as Chase Manhattan and First National City are part and parcel of this trend.

A second characteristic of the South African economy pinpointed by these papers is the extent to which the economy depends on cheap non-white labor. Steel can be produced for $38 a ton below the price in the US. No wonder more than half of African wage earners live below the poverty datum line! African underground labor in the mines is paid 46 cents a day; European underground workers earn $7.82 a day. African labor is forbidden to bargain collectively (or separately, for that matter), to hold certain jobs, and so on. These practices are accepted by American companies operating locally with hardly a murmur or an apology.

A third factor that must be taken into account in a longer-term strategy is the extent to which the US, and indeed the Western world, is increasingly dependent on certain strategic minerals produced by South Africa. As the paper on mineral and metal production points out, in 1963 the US imported 40 percent of South African uranium 308. According to predictions of the US Atomic Energy Commission, the demand will grow significantly in the mid-seventies and later, with South Africa producing from 15 to 30 percent of the world supply. The US now buys 70 percent of South African production of chromium. South Africa has a near-monopoly of one variety of asbestos, Amosite, and the US imports 25 percent of this output. If economic disengagement is to be successfully realized, other sources for various minerals produced by South Africa must be found.

A final general conclusion is to note some of the extraordinary internal contradictions of apartheid. For example, skilled labor is in short supply; by 1970, there will be 47,000 jobs open without hope of being filled. But there will be 230,000 unemployed — all non-whites prohibited from filling the
vacancies. The dynamics of the internal economy all tend to bring more and more Africans into the consumer market; but the ideological purity of apartheid demands more and more rigid separation and repression of Africans. Will apartheid break down under these strains? Although the papers do not attempt to consider this point, it is generally thought that South African businessmen, having already shown their boundless ability to accommodate their activities to the political realities, will simply adjust their sales plans to the satisfaction of the Government.

These papers point out the injustices inherent in the system of apartheid and at least partially examine the extent of American involvement. It is hoped that the facts that are brought to light here may lead Americans from many walks of life -- trade unionists, civil rights workers, churchmen, students, business, and government -- to recognize that by economic disengagement the US can play a role in bringing down the apartheid republic so that a hoped-for non-racial society may be created in its stead.

American Committee on Africa
January 1966
Between 1867 and 1884, discoveries of diamonds and gold in South Africa changed the importance of this sparsely settled land so dramatically that the trickle of immigration (in 1841 130 Britons left for the Cape as compared to 23,950 for Canada) became a flood in excess of 24,000 per annum between 1890 and 1913. The effects of these mineral discoveries in turn created large urban centers like Johannesburg and Kimberley; made possible and necessary the beginnings of industrial manufacturing; and revolutionized agriculture in order to feed the growing urban areas. Demand for administrative and technical skills on the mines led to high wages to attract Europeans, while numbers of Africans filled the unskilled physical labor needs, setting the pattern of white superiority over non-white laborers which is now entrenched in every aspect of South African economic life.¹

Today South Africa relies heavily on the continued exploitation of her mineral resources (many more vital ones have been discovered since the 1880's), but secondary industry, transportation and communication systems, and agricultural techniques are advancing rapidly. Without the mines and the initial capital they provided and the impetus they gave to immigration, however, the ground work for South Africa's dynamic economic advancement could not have been possible. It is essential to remember the importance of this primary base, not merely for the wealth it has brought into South Africa, but for the extent it continues to subsidize the economy and for the strategic value many of these minerals now have in terms of the world situation today. Before reading the specialized papers on mining and strategic raw materials in South Africa, or the innovations taking place in her expanding secondary industries, it will be helpful to understand the structure, growth, and prospects of the economy as it stands in the 1960's.²

I. RESOURCES:³

A. People: The population of South Africa is divided into three significant groups as follows: a European or white population of three million (19%) which is itself further divided between the descendants of the original Dutch settlers, called Afrikaners who compose 60% of the white population and have traditionally farmed in the rural areas; and those of English descent who control a major portion of the non-agricultural economy and comprise 40% of the white population. The Colored population consists of about

³ The South African Economy, Houghton, passim, for the following background in Sections I and II; unless otherwise noted, facts and figures are taken from Houghton.
1.5 million people (12% of the population) of mixed descent, most of whom live in the coastal region around Cape Town. The largest proportion of the population (68%) is the African majority. This is not by any means a homogeneous group. It is composed of several different tribes, with about 40% of the African population living in rural areas, especially in the government-established reserves, while some 5.5 million Africans live and work in the cities and mines and have completely, or to some degree, left their tribal past for urban and essentially western-oriented modes of life.

B. Natural: Only 15% of the land surface in South Africa is suitable for arable farming, while certain other portions are successfully used for cattle grazing and sheep ranching. Despite the many miles of coastline on both the Atlantic and Indian Oceans, there are only a few natural harbors, the most important at Cape Town and Durban. The region abounds in excellent fishing areas, however. The great mineral wealth of the country is largely concentrated in the Transvaal and Orange Free State (the northern inland sections) and increasingly the industrial community of the country has centered around these areas. Not only has the population had a tendency to concentrate around the mining areas, but the secondary industries naturally had their beginnings nearby. The total wealth of the mines up to December, 1960, has been estimated at $16.8 billion. While hardwoods and forest regions are not a natural feature of the topography, they are being successfully cultivated and contribute substantially to the pulp and timber and building industries.

One of South Africa's most important resources are the estimated 600 million ton coal deposits in the central part of the country. This is especially important for power production since the major rivers, the Vaal and the Orange, do not touch a large portion of the country, nor can they meet the industrial and agricultural needs of expansion. The Vaal supplies the Johannesburg area sufficiently, and plans are underway for a huge dam to expand the Orange River potential. The most seriously lacking resource is oil, which South Africa must import to meet most of her need. Locally produced oil from coal now meets about 8% of the demand. British and American companies are the principal suppliers of refined oil to South Africa.

II. MAJOR ECONOMIC SECTORS

A. Agriculture: Agriculture makes up about 10% of the GNP and absorbs the labor of about 30% of the population. The wide differences between the kinds of farming divides this one area into two distinct types of agriculture. The profitable, market-oriented farming is conducted by the whites, 75% of the 104,000 farms in 1958 being wholly owned and operated by the individual farmer. 90% of the total agricultural output comes from these farms, the important crops of which are maize, wool, dairy products, fruit, cattle, sheep, wheat, sugar. The progress in mechanization has been tremendous since the end of World War II and the farmers themselves are active in cooperatives, etc. It is estimated that about 80% of the farmers participate in some kind of cooperative, the most important being those for buying heavy machinery.

The subsistence farming carried on by about 600,000 African families, mainly on the reserves, produces barely enough to support the population of these over-crowded areas. New farming techniques, crop rotation experiments and
and limiting sizes of herds could increase the very low yield per acre and the quality of animal products in reserve areas. But even with these innovations, there will be too many people in too little space to advance much beyond the subsistence level.

Since the Tomlinson Commission study of 1955, which recommended the shifting of one-half the rural African population or 300,000 families, off the land into proposed Bantu~tan industries, the government has attempted on a small scale to plan larger units per family and to reallocate Africans into industrial spots. They refuse, however, to invest the sums needed to start industrial development on the scale necessary within the Bantustans, and they refuse to let white entrepreneurs into the reserves to do the same. They claim this will lead to an exploitation of the non-white population within their own "homelands." At the same time they are willing, and in fact encourage, white investment and industrial growth on the borders of these reserve areas. Rather than have whites exploit Africans within the reserves, they would prefer to maintain the myth of separate development and skirt around it for practical reasons with "border" industries. The rural Africans will continue to live in their overpopulated regions and will provide a large labor pool for the new industries which are conveniently locating themselves in strategic border areas. In no way does this solution offer anything to the development of the Bantustans, nor does it alleviate the over-population problem and the heavy agricultural burden on Bantustan land.

B. Mining: The mining industry accounts for 13% of the GNP and employs 11% of the population of South Africa. But its importance to the economy cannot be summed up in such simple terms. In 1960, gold alone accounted for 38% of the country's exports and over 40% of the import bill is paid for by gold reserves due to the usual excess of imports over exports. Other types of mining have been developing at a tremendous rate, under the stimulus of the growth in the manufacturing sector of the economy. The iron deposits are vital for the cheap steel which South Africa is now producing. In addition, 40% of the free world's platinum is found in South Africa. Other strategic minerals include: chromium, manganese, vanadium, uranium and asbestos. In fact mining, other than gold, has increased from $61.6 million in 1945 to $404.6 million in 1959. Coinciding with this growth is a growth in domestic ownership of shares. In 1935 only 40.5% of total dividends were paid within the country and this has now jumped to 64.7% as of 1958.1

Total employment figures in mining stand at: white: 64,796; Colored: 3,995; Asian: 430; and African: 528,627. (60% of this African labor force is recruited from outside the South African borders.) Differences in wages are extraordinarily great and white supremacy through job reservation is more bitterly maintained in mining than in almost any other occupation. A rough breakdown of annual wages is as follows: whites: $3,587; Coloreds and Asians: $636; and Africans: $213 (plus board and room).2

2. A Survey of Race Relations in South Africa, South African Institute of Race Relations, 1964, pp. 250-1; also see detailed breakdown of labor costs and wages on the mines in the paper "The South Africa Metal and Mineral Industry."
C. Industry: There are four main industrial centers in South Africa. The largest and increasingly more important is the Southern Transvaal with Johannesburg at its center. The ports, Cape Town, Port Elizabeth, and Durban are gradually losing importance as concentration on domestic consumption draws manufacturing concerns to the highest population area. In one way, this builds a tightly organized industrial center and saves the producers transportation inland from the port areas. But, an increasing problem for the South African economy is a grave shortage of exports to balance the demand for imports. Strategically, port-centered industry might give a great boost to export production; the savings on transportation costs alone would make South African-produced goods more competitive on the world markets.

What is even more essential to the building of an exporting economy is an expanding domestic market. South Africa is limited by its comparatively small population and even more by the low consumption rate of the Africans. The only way this potentially important market can be developed is to raise the income levels of Africans, which many economists are now recognizing. The government policies, however, legislate against this in their determination to maintain separate development.

The Viljoen Commission of 1958 laid down the following recommendations for increased production leading to competitive exports:

1. increase domestic purchasing power
2. based on increased employment opportunities
3. greater specialization and economies of scale based on standardized products
4. selective protection for South African goods
5. and then an expansion of exports

The major manufacturing segments of the economy are metal products, foods and beverages, clothing and textiles, and the chemical industry. Metal production was given its first great boost by the government-established Iron and Steel Corporation (ISCOR) in 1928. Based on the large and cheap coal reserves of the Southern Transvaal and local iron, the production of excellent and low-priced steel has grown so that an estimated 3,850,000 tons of steel will be produced annually by 1969. While this is barely enough to meet estimated demands in 1972, it is expected that South African steel will also make a good export commodity because it is so inexpensively produced. In 1960, this sector of the manufacturing industry employed 169,000 of the total 600,000 people employed in all branches of manufacturing, and produced $452 million of the total of $1,471 million worth of manufactured goods.

The food, beverage and tobacco industries have been growing steadily but since 1924 when they represented 32.2% of all manufacturing industries, they have shrunk to 20% with $287 million of the total $1,471 million worth of manufactured goods. Employment stands at 117,000.

The clothing and textile industries employ 114,000 and the net value of the two industries stands at $182 million. Although there has been considerable

1. See the special paper, "Labor in South Africa" for an explanation of job reservation, discriminatory wage scales, migrant labor system, etc.
2. The South African Economy, Houghton, p. 237 (Table 18) contains the figures for the net values of the various industries; pp. 222 and 228 have tables for employment and wage averages. This source applies for the rest of "C".
growth in these two industries, especially since the War, the scope for further
growth is indicated by the fact that domestic production accounts for only 38% of
domestic consumption (as of 1959), thus contributing to the imbalance in the
import-export figures.

One of the most exciting industries is the chemical group which can be sub-
divided into five main areas:

1. The explosives industry, given its early beginnings in connection with
the mines, has expanded to the degree that there now exists at
Modderfontein the world's largest privately owned explosives factory.
In 1959, the gross value of output of explosives was $43.4 million.

2. The fertilizer industry had a gross value of $42 million in 1959.
It is playing an increasingly large role in the agricultural revolu-
tion in South Africa.

3. Basic industrial chemicals had a gross value of $56 million in 1959.

4. Products manufactured by petroleum and coal had a gross value of
$91 million in 1959.

5. The pharmacy industry, producing soaps, cosmetics, drugs, etc.
is expanding rapidly and already some 15 American pharmaceutical
companies have opened subsidiaries in South Africa.

The total net worth of the chemical industry in 1959 was $155.4 million and it
employed nearly 50,000 people. The potential in this industry is tremendous
for both South African and foreign investors.

The most exciting example of government spending in this sector of the economy
is the new oil from coal plant, Sasol, which probably cost $140,000 million.
With cheap coal, only 50 cents per ton, it is producing petrol, ammonium
sulphate, diesel fuel, tars, waxes, solvents and plastics. Many new plants
are coming into operation for the manufacture of derivatives of the main coal
products: for instance, the $5.6 million fertilizer plant built by Pisons of
England and the Industrial Development Corporation of South Africa in 1959;
or the $28 million urea plant built in the 1960's; or the $2.38 million
carbon black plant undertaken by Phillips Petroleum Company, Oklahoma, and the
IDC. The potential in the chemicals industry is tremendous, due to the natural
resources, the technical skills and assistance of English and American companies
directly manufacturing in South Africa, and the available world markets, es-
specially in other parts of Africa, if mass production can keep costs down.
Exports rose in value in the chemicals industry from $15.4 million in 1949 to
$54.6 million in 1959.

This covers only the four leading categories in the manufacturing industry. The
combined total of all manufacturing was worth $1,417 million net in 1959; and
the total employment figure stood at 679,000, or about 12% of the population.1
By 1963 the total figure had increased to 749,300 with the following break-
down by race: 224,700 whites, 102,100 Coloreds, 40,700 Asians, and 381,800
Africans. Average wages paid to the various racial groups in 1963 are as

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1. The figures cited to this point are from the tables in Houghton as noted
   in footnote # 2, page 4.
follows: whites: $2,881; Coloreds: $924; Asians: $924; and Africans: $590 per year.¹

D. Construction and Building: In the construction and building trades, the disparity between wages and training for whites and non-whites is even more apparent. Of the 111,900 employees in this sector of the economy, 24,000 are white, 9,200 are Coloreds, 900 Asians, and 77,800 Africans. Their average yearly wages are $2,927, $1,107 (for Coloreds and Asians) and $532 respectively. Although there has been a shortage of white skilled labor and a curtailment of building in African areas, the skilled Africans are not allowed to fill the needs in the white or Colored areas. In fact, there is a recruiting campaign for more artisans in Britain, while skilled trained Africans are used as laborers and assistants to white artisans. Apparently in the training of apprentices, Africans are only required to meet white qualifications in the case of electric wiring. Otherwise, "Bantu are trained to perform skilled work of a nature and standard required for the construction of buildings for use by Bantu in the Bantu areas."²

E. Public Sector: No study of the South African economy could fail to devote considerable attention to the public sector and the government's contribution to capital formation over the past thirty years. In 1961, the public authorities accounted for 42% of the gross capital formation of the country, or $639 million out of a total capital formation of $1,521.8.³ There are, of course, the more traditional government responsibilities of providing transportation, communication, and power systems which South Africa does through agencies like the South African Broadcasting Corporation (which operates all radio services and has to this date forbidden the introduction of television into South Africa.), the South African Railways and Harbors, and the Electricity Supply Commission and postal and telephone and telegraph systems.

The proportion of whites employed to non-whites is 45% in the public service and in the Provincial Administrations, while it is as high as 75% in the Post Office and 85% in the Railways and Harbors Administration. By comparison, the proportion of whites in mining is only 12% and in manufacturing 30% (it is to be remembered that whites make up only 19% of the population.) Again, the disparity in wages is very great: average yearly salary of whites in the Public Service is $2,371, and for the African it is $484. The Coloreds and Indians fall in between with $844 and $1,237 per year respectively.⁴

The breakdown for the Post Office is 32,893 whites, 2,738 Coloreds, and 7,926 Africans. The job reservation in this department is very strict, although the great need for white postmen has cause a few jobs to be opened up for non-whites; their rate of pay is kept well below the whites, however. In order to fill all the "white" vacancies, the government is looking into the possibilities of recruiting men abroad and of using white postwomen for indoor duties.⁵

In the Railways and Harbors Administration, the employee breakdown is as follows for 1963: 110,090 whites, 11,530 Coloreds, 704 Asians, and 94,518 Africans.

². Ibid., p. 253.
⁵. Ibid., p. 256.
Wages averaged $2,849 a year for whites, and $487 for non-whites. All the skilled workers are whites and so are most of the semi-skilled artisans and trade hands. In 1963, several non-whites were employed in many semi-skilled jobs after an overseas recruiting mission had only turned up 220 out of a desired 1,200 men. With a need for 7,500 men to fill vacancies in 1965, an agreement was reached in October to put non-whites into skilled jobs. They will be paid 40% of the whites' wages and will "never work at the same job on the same shift" with whites.

Just to give an idea of the extremely low wages of the non-whites, the following breakdown was presented to the South African Assembly on February 7, 1963, showing how many non-whites earned less than and more than $2.80 a day (this is the wage that the unions are trying to establish as a minimum rate per day for all workers, regardless of color):

<table>
<thead>
<tr>
<th></th>
<th>Less than $2.80</th>
<th>More than $2.80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africans</td>
<td>95,619</td>
<td>840</td>
</tr>
<tr>
<td>Coloreds</td>
<td>9,439</td>
<td>1,347</td>
</tr>
<tr>
<td>Indians</td>
<td>673</td>
<td>2</td>
</tr>
</tbody>
</table>

III. GOVERNMENT AND THE ECONOMY

A more interesting and more controversial side of government activity is its creation and operation of giant industrial manufacturing corporations. Government entry into the manufacturing industry began in depth with the establishment of the Iron and Steel Corporation in 1928. The next significant step in government channeling of capital came in 1940 with the establishment of the Industrial Development Corporation. In the twenty years to 1960 $239.4 million has been invested in various industrial projects of which ISCOR is only one. Others include South African Pulp and Paper Industries (SAPPI), South African Coal, Oil & Gas Corporation (SASOL), Phosphate Development Corporation (FOSCOR), and many others. One of the special features of the IDC is to channel funds into smaller private industries and to push the development of the border industries. The scope of government interest in these is demonstrated by the fact that ISCOR is wholly owned by the government and produces 84% of the total steel production of the country (or 2/3 of consumption); and through the IDC finances SASOL which now produces 8% of motor liquid requirements per year. Not only does the government participate in these projects, which were initially government financed due to lack of sufficient private capital, but continues to supply funds for industries producing secondary products in these areas. There is a danger of the government acquiring too large a share of the available capital through budget surpluses diverted into the loan account and through capital produced and re-invested by those companies already in operation.

A rough idea of the dynamism in these government corporations are the plans for expansion now under way. The total cost of ESCOM projects intended to supply power to the Eastern Transvaal and the new Phalaborwa mining development is

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3. As of October, 1965, African employees had increased to a total of 96,459; 95,619 earned less than $2.80 a day. NEW YORK TIMES, Oct. 30, 1965.
estimated at $560 million. Iscor intends to spend $770 million over the next ten to twelve years to raise the capacity to produce steel to between 4.35 and 4.50 million ingot tons a year. SASOL is building extensions for the expanding chemical industry and plans to spend $84 million over the next seven years. A pipeline for $42 million is to be laid to supply industrial areas on the Witwatersrand from SASOL. The Railways is sponsoring an $84 million pipeline to convey petroleum products from Durban on the coast to the Witwatersrand; and FOSKOR plans to open up new phosphate deposits in the Eastern Transvaal at about a cost of $7 million. In addition to all this, two large dams and a tunnel over 50 miles long costing about $119 million are expected to be completed by 1970. About 55,000 morgen of land will be brought under irrigation in the Fish Valley by the Orange River dams.1

This is not to say that the private sector has not made its own contribution to the economy to the tune of $959 million per year over the last five years. Just to give an idea of expansion plans in the private sector to compare with the plans laid out in the public sector, Newmont Mines (American) and Rio Tinto (British) and some local South African interests are planning a $91 million capital outlay to open up the copper deposits at Phalaborwa; new oil refineries for Caltex ($30.8 million) and Shell ($44.8 million), and an $8.4 million extension to the Mobilgas refinery are only a few of the private outlays in the petroleum and coal and chemicals industries; Anglo American Corporation is currently discussing a new steel plant with ISCOR, expected to cost about $140 million; the motor industry is expanding through the efforts of most of the foreign investors; and the textile industry is being given a great push by a United Kingdom Lancashire textile manufacturer who has moved his entire $14 million plant to a border area near East London. The close cooperation of the government is noted here, because the IDC has set aside $63 million over the next ten years, to promote the textile industry in the border areas.2

In fact, the government stresses the importance of private ownership in its drive for economic growth and does, through the IDC, channel money into this sector of the economy rather than set up government-operated projects; for instance, the expansions at Sasolburg under the joint investing of the IDC and Fisons of England; or the government-initiated synthetic rubber plant which boasts investments from the major American rubber companies, Goodyear and Firestone.

The border area industry policy is another excellent example of close cooperation between government and private industry. Since 1961, $392 million has been invested in various industries such as tea, coffee, sugar mills, paper mills; most currently the push has been on textile mills. The money is largely channeled through the IDC, and of course the government's stimulus to private companies in the way of exemptions encourages movement to outlying areas near large labor pools in the reserves. In 1960, a Permanent Commission for the Location of Industries and Development of Border Areas was created which considers applications for such industries. In 1964, 127 applications were received, of which 61 were approved. Since the end of 1964, 60 new industrial undertakings have started in border areas and 33 are expanding their operations.

1. The Scope for Investment in South Africa, Johannesburg, 1964, p. 36
2. Ibid., p. 36-7.
As a further stimulus in this direction, a decision was made in March of 1965 to grant border industry concessions to Colored and Indian entrepreneurs. The combined total of the new and expanding projects in these areas stands at $91 million fixed capital investment and the employment figure is close to 24,000, of which 19,000 are Africans.

The South African Government is definitely in the business of stimulating the economy of South Africa with every means at its command. We have seen the extent of public initiative there is in the economy and the high percentage of public funds channeled into industrial development, as opposed to social welfare, insurance and pension plans as in the US, UK, and other Western countries. This over-riding concern has manifest itself in a six-year plan setting forth estimated expenditures and rates of growth in various sectors of the economy. Capital expenditure is expected to be $4.2 billion over the next ten years in the public and private sectors. They would like to aim for a yearly national growth of 5½% with the following growth rates in specific industries: increase of petroleum and coal products by 15.4% per year; motor vehicles by 12.3%; paper and paper products by 8.5%; transport equipment by 7.7%; machinery by 7.7%; and rubber products by 7.6%.

IV. FOREIGN INVESTMENT AND THE CURRENT SITUATION

At this point in the economic development of South Africa, domestic capital formation is sufficient to finance a reasonable 5½% growth rate. This does not mean foreign investment is in any way being discouraged. Foreign investment brings with it the prestige and moral backing of the powerful US and British economies and governments, plus the latest technical know-how and skills to provide an even faster move towards efficiency and automation and a faster rate of progress. At the end of 1962, the total foreign investment in South Africa was $4.222 million, contributed in large part by the UK (60%) and the US (11%). Other major contributors were France (6%) and Switzerland (4%) and international organizations (5%).

The return on money invested in South Africa has been notoriously high, sometimes reputed to be as high as 26%, although the Department of Commerce (US) figure in 1961 of 17% is far more realistic.

Companies, excluding the gold and diamond mines, pay 30% of the taxable income in taxes to the government. Generous allowances are made for ploughing back of profits. Dividends to non-resident individuals and companies are taxed at 7½% only, as compared to 15% in Australia and 38 3/4% in the UK. In addition, South Africa has worked out agreements with the US, UK, and neighboring African protectorates and countries to prevent a levying of income tax twice on the same income. Exemptions from undistributed profits taxes are made for companies 50% of whose equity is held outside of South Africa. Even more special treatment is offered to new investors in industrial buildings and

1. South Africa Business Digest, February 12, 1965, March 26 and July 1, 1965
4. Ibid., p. 39
and machinery. An initial allowance of 15% and an investment allowance of 20% are deductible from the cost of new machinery; and an investment allowance of 10% may be deducted from the cost of erecting or improving factory buildings. In the border areas these allowances are increased up to 30% for machinery and 20% for buildings. Special allowances are also made to encourage exports. All exporters may deduct 125% of allowable expenses incurred on the development of new export markets. Those who succeed in gaining more than 10% increase in export turnover are qualified for additional concessions.1

The complexity and diversity of foreign investment in South Africa would be a separate paper in itself. The predominant direct investors are from the US and UK and their interests range from the profitable mines to manufacturing, assembling or just selling manufactured goods. The US role in the motor and rubber industries in South Africa, and the fascinating mineral empire of Charles Engelhard are covered in specialized papers on these subjects. They can give a much clearer indication of the diverse ways foreign investors operate within the South African economy.

One other side of foreign interest in South African economic affairs are the outright loans or credits which US and international banks have made to the South African government. Initially loans from US banks and from the World Bank and Export-Import Bank of Washington were made in the 1950's to help finance expansions of transportation and power systems. But following a severe drain on South African reserves in 1961 after the debacle at Sharpeville, more than $100 million was raised or renewed for South Africa.2 In addition to these loans and credits, the South African government was forced to take measures to cut imports and deny repatriation of capital to foreign countries. At one point the gold reserves dropped below the $2.8 million mark despite these checks, although eventually the protective policies and credit extended by the International Monetary Fund and private individuals and institutions had their effect and the South African economy again revived and made a tremendous comeback. Between 1962 and 1964 the revival reached boom proportions, and only in 1965 has the boom begun to slacken. At the moment the outflow of reserves is at its most serious point since the crisis in 1961, reflecting the rapid growth and excessive fluidity that has prevailed over the last few years.

The demand for imported goods such as heavy machinery and other manufactured goods has far outstripped the abilities of the economy to export goods. From January to June of 1965 the total amount of exports dropped $46.2 million from the total of the same period in 1964, while imports were increasing $186.2 million. The totals at the end of June for imports stood at $1,264 million, and exports totalled $730 million. A breakdown of suppliers to the South African economy up to June, 1965 is as follows: Europe (including the UK, largest exporter to South Africa): $672 million; America (mostly US exports): $281 million; Asia: $181 million; and Africa: $60 million (up 50% from 1964). Total US imports from South Africa were down from $145.5 million to $134.5 million in 1964; US exports to South Africa rose in the same year from $352.7 million to $493.2 million.4

2. For a specific breakdown of loans and their sources see the paper "Banking and Finance in South Africa."
3. Rand Daily Mail, July 21, 1965 - all figures to here from this source.
The greatest demand is for machinery and transport equipment and the rise over 1964 figures in this category alone of $183 million to total $536 million for the first half of the year. Manufactured goods rose $79.8 million to a total of $326.2 million. At the same time the drop in exports is interpreted as partly due to drought conditions which have caused agricultural exports to decline $46.2 million, while the export of raw materials dropped from a total of $249.9 million in the first half of 1964 to $212.24 million this year. The situation at present depends far too heavily on gold production and government spending. Over 40% of the import bill is paid for by gold alone, while public spending by the government corners the largest single sector of the GNP (over 30%, with manufacturing at 26% and mining at 13%). It is vital that secondary industry expand beyond its 26% of the GNP in order to sustain the 5.5% growth rate the government is planning for, and in order to expand domestic markets as a step towards building an exporting economy to balance the import bill.

According to the *Financial Times* the private business investors do fear some kind of reimposition of import controls in the near future and therefore are not expanding as the government hopes they will. Another factor that limits inflow of capital is that regulations pertaining to repatriation of capital are still in effect from the 1961 crisis. In the long run, South Africa would probably benefit from lifting the regulations and from the encouragement this would give to foreigners looking for good markets. But in the short run, more capital would flee the country, as it has been doing steadily over the last few years, and the economy could not take the additional decrease in investable capital at this critical stage in its development. The government must walk a very tight line between the measures it is taking to curb inflationary pressures and the fear and lack of confidence this in turn generates in the capital investing sector of the economy.

The secondary manufacturing industries have maintained the growth in production and exports that marked the greatest strengths in the boom between 1962-4. Their exports were up 30% on those of the comparable 1964 period to a total of $229 million. At this point, mining and raw materials are still the major exports in terms of dollars. But with the price of gold stabilized and the mine production at about capacity, the only significant scope for growth to change the imbalance between exports and imports, lies in the manufacturing of finished products, and the processing of raw materials. At the moment reserves are at a three-year low and have dropped down to $457.1 million, or enough to cover the import bill for the next few months.

Rather than reimpose restrictions on imports, the government is now attempting to end the "easy money" and excessive fluidity that makes buying imports and borrowing money dangerous to the economy. In March of this year the bank rate was raised to 5% as one step towards discouraging the easy credit the banks had been extending. In fact, a new Bank Act was also passed in March requiring

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2. Ibid., July 7, 1965
that commercial banks keep larger cash deposits on hand against their liabilities to the public in order to cut down the available loanable sources of money.

At the same time that the government is trying to tighten up the domestic economy, it is making every effort to extend its credit to meet the imbalance in payments. They raised their quota with the IMF from $150 million to $200 million and increased revolving credit arrangements with an American banking consortium that has provided credit since 1959 in amounts from $20 million to $40 million. In February, 1965, the $40 million revolving credit which had been drawn on in the amount of $20 million, was raised to $40 million once again and an arrangement with a German bank was raised to $19.6 million. The total of these credits now stands at $250 million.\footnote{South African Business Digest, Feb. 26, 1965}

Although there is clear danger of inflation in the economy, the government sector has not planned any drastic cutbacks in its budget. The budget passed in March was "neutral," while it could have been deflationary.\footnote{Financial Times, May 7, 1965} Instead it continues the planned expenditures on capital projects and defense spending which is adding to the strain of resources in the economy. Those who are feeling the inflationary tendencies, however, are the mass of workers whose wages now seem to be frozen while the cost of living has soared over the last year.

The over-all cost of living index in urban areas jumped 4.1% in the last year, while the average increase per year before that time was only 1.6%. Food itself increased 8.1%, as compared to a general increase per year of 2.1% before 1964-5, a seven-fold increase in food prices alone. Rents have shown an even higher increase, some as much as 10-15% higher than in previous years.\footnote{Johannesburg Star, June 1, 1965}

In response to rising prices, workers are demanding higher wages but are getting very little satisfaction. The government has given some token pay increases to white collar workers in the Post Office, but shows no signs of doing so for the lower classes and has tried to encourage all sectors of the economy to "freeze" wages in an attempt to curb spending and limit the demand for imported goods, without applying direct controls on imports.\footnote{Ibid., April 29, May 19, and June 7, 1965}

Protests on the pegged wages are coming from all fronts in South Africa. As one woman wrote: "The majority of the people are working class...and they probably are contributing to the prosperity of the country but are certainly not enjoying any of the benefits."\footnote{Rand Daily Mail, May 28, 1965}

The hardest hit are the Africans who are not only forbidden to organize and bargain through unions, but traditionally subsist below the poverty datum line. "45% of African wages are still below the poverty datum level of $67.20 per month," as according to a representative of the Bantu Wage and Productivity Association.\footnote{Financial Mail, March 3, 1965} Despite attempts to raise African wages, mainly to increase their buying power and therefore expand available indigenous markets, the rise in the cost of living eats up these raises. For instance, a 6 3/4% average wage increase for Africans between April and November of 1964, was cut in value to 2 3/4% by a 4% rise in the retail price index.\footnote{Financial Mail, March 5, 1965}
While grappling with its payments problem and fear of inflation, the South African government looks to a controlled but expanding manufacturing economy to provide the long-run solution. The country does not want for available capital or foreign investors or technical know-how and determination. The labor situation, however, will be the major stumbling block as long as the government maintains the practice and theory of apartheid.

Planners estimate that there will be a shortage of 47,000 whites in the labor market by 1970, even counting on a net white immigration of 20,000 a year. Combined with this drastic need of trained men, will be 230,000 unemployed non-whites who will be unable to qualify for the positions open. Job reservation in many cases will prohibit non-whites doing jobs reserved for whites; in other cases, traditional antipathy between the races will prevent hostile unions from accepting situations where whites must work alongside or in the same categories as non-whites. Already there are severe shortages of white labor in the building industry (non-whites are not allowed to follow their trades in white areas) and the shortage of skilled labor plays a great part in the general rise in prices and inflationary tendencies of the economy. As the Rand Daily Mail noted in September, 1965, if the 5.5% growth rate is to be realized, "non-whites must participate to a great extent in the skilled labor force."  

The hope for the South African economy, and for the long-range political stability necessary to attract foreign and domestic investors lies in the training and utilization of the African labor force. This economic necessity, recognized by an increasing number of observers of the South African economy, is, however, completely ignored by the Prime Minister and leader of the Afrikaner-dominated government. He made his predictions for the future in the Assembly in April, 1965:

"It is expected that by 1978 a decreasing number of Bantu will be required in industries situated in and around white urban centers; if, in the meantime, the number of Bantu in the white areas increases, it will not be in conflict with the National Party's ultimate goal of turning the flow back to the Bantu homelands."

It is obvious that economic necessity is not going to break down the system of apartheid alone, and one wonders how long the economy can survive, let alone expand, under a government which cannot recognize for political reasons the economic folly of apartheid.

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1. Economist, August 7, 1965  
2. Rand Daily Mail, September 6, 1965
The banking scene in South Africa is dominated by foreigners and a major part of the credit which backs up the economy has been made available by foreign banking interests. This survey will give a brief description of the general banking structure and then a specific breakdown of loans and credits from foreign sources over the last few years. Major emphasis will be placed on US loans and credits and international credit from institutions which are powerfully influenced by US policy such as the International Monetary Fund and the World Bank.

The president of one of the leading Afrikaner insurance firms made a general statement on the banking facilities in South Africa in May of 1965. He stressed that only two of the nine registered commercial banks in South Africa were "wholly" South Africa. The oldest of the two is the Stellenbosch and District Bank, with its origins in the 19th Century as a local unit bank, which survives to this day with just the one branch. The second is Volkskas, founded in 1934 by members of the Broederbond in their drive to establish an Afrikaner stronghold in finance and commerce. A third bank mentioned in the report was the Netherlands Bank which was established before the turn of the century. His comment on this bank was that it had "made good progress" towards becoming South African. The other six banks he said were "frankly foreign owned," and in fact 80% of deposits and branches were controlled by foreigners.

The "other" six he refers to are as follows:

1. The **Standard Bank of Africa** which was one of the earliest to consolidate and dominate the banking scene in the late 19th Century. Today it has the largest number of branches (350) and is second largest in terms of liabilities to the public. It is affiliated with the large Standard Bank of Britain.

2. **Barclays Bank, D.C.O.**, which had taken over the National Bank of the South African Republic by 1926, now has the largest amount of deposits in the Republic and the second largest number of branches.

3. **The French Bank of Africa** has five branches and the fifth highest liabilities to the public.

4. **The South African Bank of Greece**, with two branches, is financially the smallest of the nine commercial banks.

The last two banks are of most interest here for they are the American subsidiaries of Chase Manhattan Bank and the First National City Bank of New York.

5. **First National City Bank** entered South Africa in 1958 and now has two branches there; it ranks seventh in liabilities to the public.

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1. The insurance firm is known as SANTAM and the statement appeared in the *South African Financial Mail*, May 14, 1965. The information following in this paragraph is from this newspaper item.

6. Chase Manhattan Bank went into the country one year later and has now opened up three branches. In liabilities to the public, the Chase operations rank eighth.1

The American interests in South Africa have a relatively late entrance on the South African banking scene, which has been refined and brought under government supervision gradually during the 20th Century. The first major attempt to coordinate banking came with the establishment of the South African Reserve Bank in 1920 (The Currency & Banking Act #31). Since that time this central bank has been strengthened by giving it the sole power to issue notes and currency; by the government's transference to it of all its accounts in 1927; by an agreement in 1925 with the mines to be the sole agent for South Africa's gold sales; and by government legislation requiring all banks to hold a prescribed percentage of their demand and time liabilities on deposit with the South Africa Reserve Bank. The government also sets the maximum and minimum limits of these percentages, leaving the control of credit creation within the Bank's hands to raise or lower rates within the prescribed limits. Another significant Bank Act of 1942 (#38) introduced the innovation that all commercial banks had to maintain a balance between their assets and liabilities in South Africa. Previously, the English banks for instance had not done so, counting on an overall balance of English and South African assets and liabilities. This presented great difficulties when England went off the gold standard and South Africa did not in 1931. The same act also established a Registrar of Banks with whom all commercial banks must register and to whom monthly, quarterly, and annual reports must be presented. It also stipulated that every commercial bank had to keep 30% of its total liabilities in liquid assets within South Africa in order to aid the short-term money market. A National Finance Corporation was set up in 1949 to provide a regular channel for short-term money into the economy. Since then, several other specialized agencies have been created to accept and channel money more effectively into the economy.2

In 1961, South Africa left the British Commonwealth, becoming the Republic of South Africa; the pound sterling was dropped and a decimal currency based on the rand was adopted. The rand's international value is determined by its par value with the International Monetary Fund, which, since February of 1961, has been R1= $1.40. South Africa, however, still enjoys trading privileges and is treated as a member of the sterling area.

Since 1961, South Africa has undergone a severe financial crisis which followed upon the unrest created at Sharpeville in March of 1960. Foreign capital fled the country, new capital stopped coming, and the confidence of business was very badly shaken. As a consequence, imports far surpassed exports and the demands upon the gold reserves became so severe that the government took restrictive measures against imports and against the repatriation of capital. Even with these strict measures, the government could not have survived and the economy could not have regained its momentum that has since pushed it into boom proportions without a great amount of foreign credit extended at the time of the balance of payments crisis.

1. D.H. Houghton, The South African Economy, 1964, p. 185. A chart of the banks' sizes and number of branches is found on this page, and short histories of the banks are on the preceding pages.

2. Ibid., p. 185 ff. A summary of financial and banking history is found on these pages and the above has been condensed from this.
Briefly, the International Monetary Fund first allowed South Africa to draw $38 million, or 25%, of her $150 million credit in December of 1960. Within six months another $75 million had to be extended as stand-by credit that could be drawn on in various currencies so that South Africa could off-set the outflow of capital necessary to pay the import bill and meet repatriation demands. This meant that 75% of her total commitment to the IMF was made available for immediate use in the space of less than a year.¹

Other sources of credit in 1961 came from an Italian Bank consortium loan of $ 9.8 million for a period of three years. This was in October, and in the month before the Rand Selection (Engelhard's interest in South Africa) had managed to obtain $30 million from American sources to sustain the needs in the mining field.²

Then in December of that year, two ten-year loans from the World Bank were received, totalling about $25 million for railway and electric power development.³ The Deutsch Bank of Germany granted a two-year loan of $9.8 million in the same month.⁴ The First National City Bank of New York gave a $5 million loan to the Industrial Development Corporation, and the US banking consortium revolving credit of $40 million was renewed for two more years at the end of the year.⁵

Jumping ahead to March, 1964, the South African Business Digest reported that the government was not drawing on its revolving credits with the American and West German banks, totaling $50 million. But in February, 1960, the picture had changed, reflecting another tightening of credit and an outflow of gold from South Africa to meet the import bill. At that time the government was renewing the $40 million revolving credit with the 11 US banks since it had been drawn on in the amount of $20 million. Besides adding $20 million in available credit with American Banks, South Africa also increased the West German revolving credit to $19.6 million and raised her quota with the IMF from $150 million to $200 million. In total, $84 million was added to the credit facilities of South Africa for use in meeting payments or for emergency measures.⁶

The arrangement of these new credits reflects a tightening of money due once again to a surplus of exports over imports and the consequent drop in reserves in South Africa. The banks, building societies, and other monetary agencies had been literally competing with each other to offer higher interest rates on savings deposits. There had also been keen competition to make money available. In response to these pressures and in an attempt to put a credit squeeze on the banks, whose increase in advances since January of 1964 had been 55%, the South African Reserve Bank raised interest rates on savings deposits to 63% in March, 1965, and is now requiring all banks to hold in liquid assets 40% of their liabilities, 10% above the normal level.⁷

². Economist, October 21, 1961
³. Economist, December 9, 1961
⁴. Economist, December 9, 1961
⁵. Fortune, January, 1962
In the midst of these financial difficulties and government measures to correct the balance of payments problem, both First National City Bank and Chase Manhattan Bank have major expansion projects under way in South Africa. First National City recently announced its participation in a new lease plan with the Schlesinger Organization (a US firm) and the Hombros Bank of London to form a partnership in the First Consolidated Leasing Corporation (Pty.) Ltd. in South Africa. It will be a $7 million organization.

Chase Manhattan Bank announced in May of this year her purchase through Chase Manhattan Overseas Corporation of 1,750,000 shares in a new merger of the Standard Bank of London and the Bank of West Africa, also a British bank. The shares sell for one pound (or $2.80), bringing the Chase investment to about $4,900,000. Negotiations are underway for the merger of Chase's Nigerian and South African subsidiaries into the new complex, with Chase Manhattan Overseas Corporation buying up to 375,000 more shares in respect of these branches. The merged interests have more than 1,100 branches in 17 African countries. While the name Chase Manhattan Bank may no longer be used in South Africa, Chase itself has assured the public that it will continue to assume important management positions in the Standard Bank to aid in marketing its services, particularly to US companies. The African countries involved in this new consolidating program include: Basutoland, Bechuanaland, Cameroun, Gambia, Ghana, Kenya, Malawi, Mozambique, Nigeria, Republic of South Africa, Rhodesia, Sierra Leone, South West Africa, Swaziland, Tanzania, Uganda, and Zambia.

The institutions named in this brief summary have all demonstrated their willingness to support South Africa in her drive for economic growth and self-sufficiency. The most obvious foreign supports have come in the form of direct loans and credits, but the institutions with subsidiaries operating in the country share a double responsibility. Their branches cooperate on a daily basis with the South African government, and today are part of the financial structure which is combatting the inflation and gold outflow threatening the economic stability of the country. The support they give to government policies is attested by the same president of SANTAM who was so critical of the 80% foreign domination in South Africa banking. Concluding his statement of May, 1965, he said, "If anything, the purely South African financial institutions seem, on recent evidence, less ready than the 'foreigners' to fall in with official wishes." 2


CHASE MANHATTAN BANK

The far-flung offices affiliated with Chase Manhattan Bank now total 142 and are located in 28 countries of the world. Five of these are found in Africa: one each in Lagos, Nigeria and Monrovia, Liberia, and three in the Republic of South Africa.¹

Chase Manhattan opened Chase Manhattan (South Africa) Ltd. in 1959, as a wholly owned subsidiary of Chase Manhattan Overseas Banking Corporation, which is a subsidiary of Chase Manhattan Bank in New York. Total investment included $1,147,000.² The Bank's proportionate share of earnings on the South African subsidiary at the end of 1964 was reported as $112,000.³

There are now three branches in South Africa with the main office in Johannesburg. Total liabilities to the public as of May, 1961, were $3.28 million and by October, 1964, had climbed to $16.8 million.⁴

RECORD OF LOANS TO SOUTH AFRICA:

1. July, 1959: CMB granted a $10 million loan to the South African government, a three-year loan at 5%.⁵

2. July, 1959: CMB (So. Africa) Ltd. granted a revolving credit of $8.5 million to the Industrial Development Corporation. The money was to be used to finance industrial development by private enterprises.⁶

3. December, 1959: 11 banks in the US (including Chase Manhattan) made arrangements with the government of South Africa for a revolving credit of $40 million for a two-year period, the money most likely to be used to buy transport facilities in the US. The arrangements were made through Dillon Read & Co., Inc. and superseded a $20 million loan which would have expired in January, 1960.⁷

4. 1961 and 1963: Renewals of the 1959 $40 million revolving credit with the 11 US banks reported; again negotiations were made through Dillon Read & Co., Inc.⁸

¹ Wall Street Journal, March 7, 1965
² As reported in their form for registration on the New York Stock Exchange, February 25, 1965.
³ Ibid.
⁴ The former figure is from The South African Economy, D.H. Houghton, p. 185; the latter is from the Financial Mail, January 22, 1965.
First National City Bank of New York (South Africa) Ltd. has two branches in South Africa, and opened up operations there in 1958. Total liabilities to the public at the end of May, 1961, stood at $5.9 million, and by October, 1964, had grown to $23 million.

RECORD OF LOANS TO SOUTH AFRICA:

1. First National City Bank participated in the revolving credit arrangements of 1959 and in every subsequent renewal of these credits.


3. 1965: First National City has joined with the Schlesinger Organization of the US and Hombros Bank of London to form First Consolidated Leasing Corporation (Pty.) Ltd. The South African company has an initial investment of $7 million from these firms, although the breakdown of specific contributions is unknown.

1. The former figure is from The South African Economy, D.H. Houghton, p. 185; the latter is from the Financial Mail, January 22, 1965.
The last loan made by the Eximbank directly to South Africa was in September, 1959. At that time a loan of $16 million was extended for the purchase in the US of aircraft equipment, repair equipment, and related spare parts. It was to be repaid in 14 semi-annual payments at a rate of 5 3/4%.  

At the end of 1959, total commitment to South Africa was much larger than this due to previous loans made to mining companies to buy equipment in the US and to the Electricity Supply Commission (ESCOM). Outstanding loans stood at $97,436,897.48 half-way through 1959. Total commitment (outstanding unpaid loans) at the end of 1964 had decreased to $24,070,000.

In addition to these direct credits extended to the government or companies or agencies in South Africa, the Eximbank, through the Foreign Credit Insurance Agency (FCIA), does have commitments in the form of guarantees and insurance for US exporters. In December, 1964, guarantees to exporters shipping to South Africa stood at:

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(FCIA) short-term guarantees:</td>
<td>$4,888,000</td>
</tr>
<tr>
<td>(FCIA) medium-term guarantees:</td>
<td>106,200</td>
</tr>
<tr>
<td>(This affects only two companies – Compton &amp; Knowles Corp., Worcester, Mass. Hughes Tool Co., Culver City, Calif.)</td>
<td></td>
</tr>
<tr>
<td>(Eximbank) guarantees:</td>
<td>501,700</td>
</tr>
</tbody>
</table>

General policy of the Eximbank was indicated in a letter to Professor Julian Friedman of Syracuse University from the President of the Bank. He wrote, "As you know, the Eximbank is an agency of the US Government and its operations are conducted in harmony with American foreign policy."

1. The Eximbank's reports to Congress are the best source for dates and figures; they are made in June and December of every year. This information is first recorded in the report for Dec, 1959.
4. These figures were included in a letter from the Eximbank to Julian Friedman of Syracuse University, February, 1965.
5. The letter is dated in February, 1965.
The World Bank has made 10 loans to South Africa, totalling $224,800,000 since 1951. In the report of the World Bank of 1963, $120 million of this total had been repaid, leaving $101,800,000 unpaid. Three of the loans were to the Electricity Supply Commission (ESCOM) for electric power development; and the other seven were to the South African Railways and Harbors Administration.1

ESCOM LOANS:

1. January, 1951: $30 million used in the first two years of an ESCOM expansion project to pay for imports needed.

2. August, 1953: $30 million, also used to pay for imports such as turbo-generators, boilers, switchgear, transformers, cable, etc.

3. December, 1961: $14 million to assist the expansion of generation and transmission systems serving the northern Cape area, the Rand, the Orange Free State, and Eastern Transvaal: the heavily industrialized and mining areas.

Total ESCOM loans: $74,000,000

SOUTH AFRICAN RAILWAYS AND HARBORS ADMINISTRATION LOANS:

1. January, 1951: $20 million to the Administration to help provide expanded services to the mines and industrial areas after the war. The proceeds of a $10 million private placement of promissory notes with a group of American commercial banks was also made available at this time.

2. August, 1953: $30 million

3. November, 1955: $25.2 million

4. October, 1957: $25 million

5. December, 1958: $25 million

6. June, 1959: $11.6 million

7. December, 1961: $11 million

Total Railways & Harbors loans: $147,800,000

The money to the Railways and Harbors Administration assisted in the construction of new lines, increases in line capacity, addition of rolling stock such as locomotives, and general transport development.

1. The World Bank Group in Africa: A Summary of Activities, Sept, 1963; pp. 51-53 outline the loans and totals; press releases from the World Bank issued on the dates of these loans give fuller details. All are available by writing the World Bank in Washington, DC.
Labor in South Africa

"Afrikaner Nationalists have long been conditioned to look upon the industrial colour bar as the thin white line protecting them from Black domination. So the government still steadfastly proclaims its determination to uphold job reservation and all the other scaffolding of economic apartheid; all the same it is permitting under-the-counter relaxations at an astonishing rate." 1.

This is the background against which the contemporary labor scene in South Africa must be viewed: on the one hand a complicated set of government regulations and unwritten laws founded on deep racial prejudice and on the other an alarming shortage of skilled and semi-skilled labor in the industries which are expanding most rapidly in the boom economy. This dilemma can clearly be seen in experts' predictions for as early as 1969 when, "even assuming a net immigration of 20,000 Whites a year, there will be 230,000 unemployed non-whites and 47,000 vacant posts for the Whites." 2. Will the establishment of border industries, next to African reserves, radically change the problem? Or, must industry, in open opposition to government policy and almost against its will, revolutionize its employment practices?

The South African economy is capital intensive, applying profits to rapid expansion in all sectors and relying upon a cheap non-white labor base. Non-whites constitute 75% of the South African labor force, yet the unskilled (non-white) receive only 20-30% of skilled pay rates in comparison to 60-80% in most industrial economies of the West.3. The denial of equal employment opportunity safeguards white political hegemony and guarantees to the industrialist, given full employment, a large supply of cheap labor (even in semi-skilled posts) which, lacking normal civil rights, is easily exploitable.

The labor scene in South Africa will be reviewed briefly in the following sections: 1) existing labor legislation; 2) labor practices in a boom economy; 3) unionism and labor organization of all races.

1. LABOR LEGISLATION

a. Cape Masters and Servants Law, 1865: This ordinance defined, quasi-legally, the obligation of master to servant and servant to master and, in many ways, set the tone of ensuing legislation.

b. Mines and Works Act No. 12, 1911: This act was passed in response to the demands of white miners that skilled positions be reserved only for them. In the Act a prohibition was made on the issuance of blasting certificates to non-white miners; secondly, the number of African workers a white foreman could supervise was specified, thus establishing a more or less permanent ratio of white to non-white workers in the mines.

2. The Economist, August 7, 1965
c. Industrial Conciliation Act No. 11, 1924: set up the machinery for
the determination of wages and conditions of work through consulta-
tion between management and trade unions. Although this act legalized
the principles of arbitration and collective bargaining for whites,
it very specifically excluded, by its definition of an employee,
most African workers.

d. Wage Act No. 27, 1925: established a Wage Board composed of three
members appointed by the Minister of Labor. The Wage Board whose
determinations apply only to those industries (and sections therof)
in which workers are not sufficiently organized (i.e. to which the
above act(s) do not apply) to engage in collective bargaining, was
empowered to determine minimum rates of pay.

e. Mines and Works Amendment Act, 1927: repeated, more forcefully,
the principles of the original act (see above) and established out-
right racial discrimination in relation to certain jobs in the
mining industry.

f. Apprenticeship Act No. 26, 1922 (and many succeeding amendment
acts): This act, although not overtly discriminating against any
single racial group, established minimum education requirements which au-
tomatically excluded most non-whites from eligibility. (e.g. A stan-
dard VI pass was required before entrance into apprenticeship was
allowed).

In many ways, the above legislation of the 1920's, passed by the Labor-
Nationalist Pact government, laid the foundations for the openly discrimina-
tory laws of the 1940's and 50's. By establishing the principle of 'protec-
tion of the white worker' and excluding, by definition, most non-whites
from collective bargaining, it defined the South African color Bar. (Other
laws which are indirectly related to employment in South Africa are the
Native Labor Regulation Act No. 15, 1911 and numerous Natives Urban
Areas Acts all of which determine the mobility of the African labor mar-
et and tightly control numbers of non-whites in urban areas, depending
upon employment needs).

g. Native Laws Amendment Act, 1949: created special labor bureaux
for Africans. Through the agency of these bureaux the flow of African
workers to the towns is controlled, guaranteeing an abundant supply
of labor to both the farms and the mines.

h. Unemployment Insurance Amendment Act No. 28, 1948: excluded from
unemployment insurance benefits all workers whose earnings did not
exceed $510 per year, i.e. the majority of African and non-white
workers. (Since 1949 this range has been increased to between
$764 - $4,000).

i. Industrial Conciliation Act No. 28, 1956: While retaining the
principles of earlier Acts, the 1956 Act provided for an Industrial
Tribunal and racial separation in the trade unions.

The Industrial Tribunal, composed of 5 members appointed by the Min-
ister of Labor, was given the power both to reserve certain jobs for
members of a particular race and to establish minimum percentage of
racial groups working in a particular industry.
Secondly, the Act provided that "no trade union might be registered for both white and coloured (including both Coloured and Indians), nor might it be registered if membership was open to both white and coloured workers unless total membership was so small that formation of separate unions was impracticable," (in which case 'mixed' unions were allowed). 1.

This single Act, along with the Native Labor (Settlement of Disputes) Act, placed the African worker in a special category and hence in a powerless position; it mirrored acts in other areas which were shearing from non-whites all vestiges of political power.

j. Native Labor (Settlement of Disputes) Act No. 48, 1953: forbade strikes and lockouts among African workers. By establishing Native Labor Committees which would supposedly settle all disputes between African labor and management, this Act further underlined the refusal of the government to recognize, officially, African unions.

Typifying the control exercised over the mobility of the African working population is the 1964 Bantu Laws Amendment Act (No. 42) under which any African, regardless of duration of residence in an urban area or length of employment with a single employer, can be endorsed out of town. The labor officer in charge of a labor bureau "can refuse to sanction the employment of any African in his area, and can cancel, for a variety of reasons, any contract of employment entered into with an African." 2.

How effective are such laws in an economy which, since 1961, has had an unusual growth rate of 6½ - 7%, the result of a rapid expansion of secondary industry which makes excessive demands upon a skilled and semi-skilled labor supply? Although the manufacturing industry has either gained legal exemptions from some of the more insidious labor laws or surreptitiously evades them, it would rather side with the Nationalist government than directly and forthrightly challenge the economic bases of apartheid. A cursory glance at employment in various sectors of the economy will provide an idea of present trends in labor and of the inconsistencies of economic separate development.

2. EMPLOYMENT

a. Agriculture - The total number of employees on land holdings of whites, coloreds, and Asians in June, 1961 was:

<table>
<thead>
<tr>
<th>White</th>
<th>Coloreds</th>
<th>Asian</th>
<th>African</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,596</td>
<td>232,635</td>
<td>6,721</td>
<td>1,441,470</td>
</tr>
</tbody>
</table>

(The total population of African rural areas in 1960 was 1,811,141)

Presently agriculture makes up about 10% of the GNP and absorbs the labor of about 30% of the population. As in all other rapidly industrializing economies, South Africa faces a mounting rural unemployment problem. Increasingly mechanized agriculture is now beginning to result in lay-offs of African laborers on white farms regardless of how badly paid they are. 3. As stricter influx control legislation (such as the 1964 Bantu Laws Amendment Act) are passed and the ineffectiveness of border industrial areas is proven, the

1. Houghton, South African Economy
2. Bunting, Rise of the South African Reich, p. 313
3. see Houghton, op. cit. p. 151
African is faced with hardly any choice at all, being unable to either subsist on the land or gain employment in the cities.

b. Mining: The average numbers employed in mining in 1963 were:

<table>
<thead>
<tr>
<th></th>
<th>White</th>
<th>Coloreds</th>
<th>Asian</th>
<th>African</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>61,796</td>
<td>3,995</td>
<td>130</td>
<td>528,627</td>
</tr>
</tbody>
</table>

(a large proportion of the African labor force is either recruited from outside South Africa, in the reserves, or in the High Commission Territories)

Average salaries and wages paid per annum in 1963 were:

<table>
<thead>
<tr>
<th></th>
<th>White</th>
<th>Coloreds</th>
<th>Asian</th>
<th>African</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3,587</td>
<td>..........</td>
<td>$636</td>
<td>$213 (plus free board and lodging)</td>
</tr>
</tbody>
</table>

As mentioned above, job reservation in the mines has been strictly applied through the various Mines and Works Acts. 'Boss Boys' (as the heads of African work gangs are traditionally called) have, in fact, been given increased responsibility and often do the work of white foremen. However, recently, an experiment has been carried out in the gold mines by which Africans have formally been given supervisory work over fellow African miners. This experiment was carried out with the government's approval but recently was vetoed by the Ministry of Labor due to pressures from the lower paid white workers whose positions were most seriously jeopardized by upgraded Africans. Thus one of the few attempts to solve the employment problem in goldmining, although accepted originally by a majority in the Mine Workers Union, mine owners, and government, has failed. 1.

c. Manufacturing: The average numbers employed in manufacturing in 1963 were:

<table>
<thead>
<tr>
<th></th>
<th>Whites</th>
<th>Coloreds</th>
<th>Asians</th>
<th>Africans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>221,700</td>
<td>102,100</td>
<td>40,700</td>
<td>381,800</td>
</tr>
</tbody>
</table>

Average salaries and wages paid for the same period were:

<table>
<thead>
<tr>
<th></th>
<th>Whites</th>
<th>Coloreds &amp; Asians</th>
<th>Africans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,881</td>
<td>$924</td>
<td>$590</td>
</tr>
</tbody>
</table>

Manufacturing accounts for 26% of the GNP in South Africa and naturally receives most financial support from both government and private domestic and foreign investors. Of the total work force in South Africa there is a large section of non-white semi-skilled and unskilled labor which is fully committed to the urban way of life. Yet it is precisely this section which, even if its growth remains static, poses the greatest challenge to the purest interpretation of apartheid. Most of the labor legislation outlined above has been applied, in one way or another, to the manufacturing sector. Perhaps the most effective way of determining the relative guilt of government and private industry in imposing and carrying out apartheid is first to see

how apartheid labor legislation has affected industry.

1. job reservation: Most job reservation determinations published since 1957 have pertained to areas other than manufacturing. Frequently the determinations apply to vehicle driving, the clothing trade, and the building industry. In 1964, one of two job reservation determinations for the entire year applied to the motor vehicle assembly industry. This determination effectively limited the percentage on non-white employees and guaranteed that certain positions could be held only by white skilled and semi-skilled workers. The motor industry, in reaction to these crucial determinations, has implied that "unless extensive exemptions are granted, Coloreds and Indian workers will have to be dismissed and production curtailed." 1.

However, to present, job reservation has constituted no more than a threat to most sections of major industry and cannot be used honestly to explain the great disparity, both in wages and level of skills between white and non-white.

2. apprenticeship training: There are a number of reasons for de facto discrimination in the skilled and semi-skilled trades: a biased apprenticeship system (through inordinately high educational requirements established by the various Apprenticeship Acts); denial or curtailment of admission to technical training institutions; employers' prejudices (which often act to effectively deny employment opportunities for in-plant training to qualified non-whites); and pressures from white artisans and the more reactionary white trade unions.

Indicative of both government-established discrimination and employer prejudice is the fact that from 1956-58, 19,576 whites were apprenticed as compared to 1,506 non-whites.

Government and private industry, now under pressure to fill employment gaps, have different answers to the same question. The government continues to maintain that, whereas non-whites should be trained, they should use their skills in the service of their own people... the essence of separate development. Private industry, skeptical of the economic feasibility of the decentralization of industry, feels that "the most effective and satisfactory means of expanding their manpower resources would be to train semi-skilled workers, regardless of race, to perform skilled work or become qualified in certain aspects and phases of skilled operations." 2.

The failure of the industrialist is one of timing and emphasis: his concern about the training of the non-white has arisen only as the labor shortage has become acute; he emphasizes filling existing gaps in his own skilled and semi-skilled labor force but fails to provide for training which would extend equal employment opportunity to all races.

3. Rate for the job: Both the Wage Act and the Industrial Conciliation Act state that in determinations of wage rates and working conditions no discrimination on the basis of color can be made. In other words, equal work demands equal pay, regardless of race. However, "Equal pay for equal work, when not coupled with equality of opportunity to acquire skills and obtain employment discriminates against

1. Survey of Race Relations, 1964, p. 245
2. Quoted from Transvaal Chamber of Industries report on a questionnaire circulated by the SAIRP.
people of color." 1. It might seem strange that both the Trade Union Council of South Africa,(the moderate, predominantly white trade union coordinating body), the South African Confederation of Trade Unions (reactionary) and the South African Congress of Trade Unions (the more radical African body) should put their faith in the 'rate for the job.' Non-white unions accept this principle because they fear that as non-white operatives increase in number in a particular industry they will be paid a lower wage, regardless of skill classification, than the whites. In fact, one can speculate that the industrialist, while upgrading non-white employees, will seek to profit from a concomitant decrease in labor costs. 2. Whites, on the other hand, support the 'rate for the job' principle because it protects skilled wage standards and prevents a lowering of white living standards. 3.

Thus African unionists are torn between demanding better training for non-whites, the opportunity to be able to advance to skilled levels regardless of wage rate discrimination, and the desire to receive a wage equal to that of their white counterparts. Obviously the greatest danger in the 'rate for the job' principle is that the employer will de-emphasize promotion of non-whites rather than continue to pay the same wage rates to all races.

4. Pension plans/unemployment insurance: Pension plans and provision for unemployment insurance are the exception rather than the rule for African employees in South Africa. For example, only a few U.S. firms have established non-contributory or contributory pension programs for employees. One plan requires both the employer and employee to contribute 5% of the base salary towards a retirement pension at age 65. A few U.S. firms including Pepsi, Mobil, and Caltex have provided for a non-contributory plan for their African employees. 4. Existing information gives little reason to think that other companies have done the same.

Existing Unemployment Insurance Regulations stipulate that Whites, Coloreds, and Asians earning up to $4,000 a year, and Africans earning between $764 and $4,000 may become contributors to the Unemployment Insurance Fund, and are then eligible for benefits. As can easily be seen, few Africans would qualify for such benefits. In March of 1964 there were 78,069 unemployed Africans(5.) a figure which included neither unregistered work seekers in towns nor those who were endorsed out of towns and forced to return to the reserves. In May of the same year a total of 7,002 whites and 7,898 Coloreds and Indians were unemployed.

5. Application of the Industrial Conciliation Act, and Native Labor. Act No. 48: As stated in the original Industrial Conciliation Act, Africans are effectively excluded from the machinery of collective bargaining and arbitration. No African unions are officially reg-

1. Alexander: Job Reservation & the Trade Unions: Capetown, 1959
2. In fact, this practice is becoming more prevalent in some industries: see Motor Industry Report.
3. Rand Daily Mail, Nov. 10, 1964
4. Business International: Special Report on South Africa
istered with the government and, as case histories illustrate, employers rarely cooperate with growing and established unions in their plant. 1.

Under the Native Labor (Settlement of Disputes) Act Africans are forbidden by law to strike for better working conditions or higher wages. The effectiveness of the law is attested to in the number of major strikes by African workers in 1964, only two occurred during the entire year, both at textile plants in New Germany and Benoni. Workers at these plants, dissatisfied over wages and rates of pay, were not allowed to directly negotiate with management; instead, a white government Native Labor Officer represented them and established the terms of their return to work. Others, equally dissatisfied with company policies, were sufficiently intimidated by the above law, under which they are subject to immediate arrest, to either accept Industrial Council agreements regarding wages or the determinations of the Wage Board. In any case, the African workers' only legal recourse in labor disputes is through the largely paternalistic Native Labor Committee and the Central Native Labor Board.

3. TRADE UNIONISM IN SOUTH AFRICA

Trade unionism, both white, and non-white in South Africa is extremely complex and deserves a certain amount of attention. The attitude of the government toward African unions is exemplified by a recent statement of the Deputy Minister of Labor. He said that, "Nothing had happened since 1918 to change the government's attitude to African unions. Africans ...... had not yet reached the stage where they could, without harmful results, exercise the functions and rights normally conferred on trade unions." 2.

There are three major trade union co-ordinating bodies: 1) the South African Confederation of Labor which is extremely right wing and supports apartheid in trade unionism; 2) the Trade Union Council of South Africa (TUSCA), a moderate union with affiliated white, mixed African, and Colored unions; 3) South Africa Congress of Trade Unions (SACTU) which is politically allied with the Congress group (ANC etc.). Membership in the above and other union groupings in 1961 was as follows:

<table>
<thead>
<tr>
<th>Co-ordinating body</th>
<th># of unions</th>
<th>White # of Members</th>
<th>Colored # of Members</th>
<th>Asian # of Members</th>
<th>African # of Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA Confederation of Trade Unions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Coord. C'l</td>
<td>12</td>
<td>22,293</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Federation</td>
<td>9</td>
<td>40,176</td>
<td>175</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. SA R'ways&amp;Harbours</td>
<td>7</td>
<td>79,689</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TUSCA</td>
<td>69</td>
<td>110,127</td>
<td>44,726</td>
<td>11,850</td>
<td>(Note)</td>
</tr>
<tr>
<td>Pofafutsa</td>
<td>17</td>
<td></td>
<td></td>
<td>18,385</td>
<td></td>
</tr>
<tr>
<td>SACTU</td>
<td>46</td>
<td>14,98</td>
<td>12,384</td>
<td>1,650</td>
<td>38,791</td>
</tr>
</tbody>
</table>

1. (see later section on South African unionism)
2. Survey of Race Relation: 1964
3. Since this table was compiled seven African unions have been included as TUSCA affiliates.
The leadership of both the above predominantly African trade union bodies Fofatusa and SACTU has been seriously decimated by arrests and banning orders stemming from either the Suppression of Communism Act or the 90 Day Detention Act. Their central organizations are virtually defunct now, although affiliated unions still struggle to stay alive. Naturally, the African unions which still do exist are not officially recognized by either government or management. Numerous obstacles confront the African union organizers: (1) it is extremely difficult to even meet to discuss labor issues with potential union members since many cities ban public meetings unless permission is granted and allow no gathering of more than ten people in a 'native' area without the permission of the Native Commissioner; (2) if union organizers seek to meet African workers on plant premises either access is refused to them or they are arrested for trespassing. 1.

TUSCA has recently shown increased interest in African unions and at its congress in 1962 decided to admit properly constituted African unions to affiliation. In 1963 there were 5 African union affiliates of TUSCA (comprising a total of 800 African workers). Although considered moderate in its objections to all aspects of apartheid, TUSCA has acted in open violation of Industrial Conciliation Act provisions by admitting African affiliates. It has demanded that the government admit regularly constituted trade unions and allow white unions to enroll new members regardless of race. This is not to say that TUSCA is actually supporting the more basic demands of the African worker; it is moving too slowly, but maybe in the right direction.

The brief review of the alternatives open to the African worker for protest against unfair wages or working conditions needs very little elucidation. Rarely are African union organizations honored, as such, by employers. The channels through which either African union members or non-union workers might seek improvements are government-built and government-controlled and usually strictly followed by management.

Any view of the future of the African worker must needs be pessimistic. Even if, as the opening quotation from the Economist stated, the government "permits under the counter relaxations at an astonishing rate" discrimination on all levels and in all areas of employment will undoubtedly continue. Despite new attempts to promote Africans into skilled and semi-skilled positions and to better prepare them for promotion through technical training, both publicly established racial discrimination and the deep prejudices of white management (enhanced by the profit motive in South Africa) will limit African advancement to fit the economic needs of the country. For example, although some claim that the bases of apartheid are cracking due to economic pressures from within, the SAIRR states that, "It is undoubted that in spite of recent increases of pay in numerous fields of work, a high proportion of Africans is still living below the poverty datum line (emphasis added). . . . the local (Johannesburg) Chamber of Commerce urged all members to increase African wages to a minimum of $70 per month." 2.

As long as white government and white management hold the requisite power to decide what is best for the African worker, he will continue to live below the poverty datum line. The question of course remains: does a worker gain his rightful political power through economic gains or must political gains precede any real improvement of his lot?  

2. Survey of Race Relations: 1964
South African Labor - Select Bibliography

1. Africa South & Africa South in Exile, Ed. Ron Segal (see esp. 'African Trade Unionism in South Africa' Leon Levy (Ap - June, 1961)

2. The African Factory Worker, Oxford Univ. Press 1950


4. Survey of Race Relations, South Africa Institute of Race Relations 1962-63-64.


6. Rebels Daughters, Sachs, E. S., Macgibbon & Kee (1957)


8. The Industrial Colour Bar in South Africa, G. V. Doxey, O.U.P. (196)

The South Africa Mineral and Metal Industry

I. Introduction

To state that the mineral and metal industries contribute only 13 percent of the South African GNP and that they employ 11 percent of the total labor force would be to minimize their importance to South Africa. It is in South Africa's economic relations to the rest of the free world that the mineral industry takes precedence over all other forms of economic activity. Exports in 1963 reached a value of $2.38 billion, of which gold contributed $0.96 billion, and other minerals almost $0.4 billion. Excluding the gold exports, South Africa would have had a total imbalance of $300 million.

The gold mines have increased production steadily each year since 1959. This has created extra demand for labor and local goods as well as increasing profits, thus providing investment capital for the diversification of local industry. New high grade mines have been able to absorb the inflationary costs associated with the dangerously heated national economy. The older and more marginal mines have on the other hand experienced a more troublesome five years.

The other minerals in the South African storehouse do not match the contribution of gold, though if the precious metal was devalued, South African exports would depend some 20 percent on these other minerals. Uranium, asbestos, antimony, chromium, diamonds, vanadium, copper, and iron would constitute the bulk of such a source for foreign exchange.

Most of these minor minerals are not unimportant to South African trade, but to the free world South African production represents a vital part of total production. Thus, South African mines are essential in the West's strategy for peace. This will become apparent as the individual minerals are considered. As the common law is a central concept of our democracy, so are South African minerals a core concept of Western industrial growth.

It is also necessary to examine the conditions under which such minerals are produced. Hence a separate section dealing exclusively with mine labor has been included.

Our point of departure, however, is a listing of the minerals involved and marginal comments on their significance to US needs.
1. URANIUM

Uranium occurs in the gold-bearing conglomerates of the Witwatersrand System and is thus produced as a by-product at certain South African gold mines. It is the oxide $\text{U}_3\text{O}_8$ of 90% purity that has left the mines since 1952, under contract to United Kingdom and United States Atomic Energy Authorities.\(^1\)

Free World production of $\text{U}_3\text{O}_8$ totalled 30.2 thousand tons in 1963, of which South Africa contributed 5 thousand short tons. This compared with a USA production of 14.2 thousand short tons in the same year; and the USA also imported 8.8 thousand short tons of which 40% came from South Africa.\(^2\)

Therefore, the USA was almost the sole customer for South African Uranium.

However, the deliveries under contract are due to fade out by the end of 1966. Why, then, should the South African Atomic Energy Board have requested the mines to stockpile beyond the Atomic Energy Commission contract? Especially as there is a new US Bill allowing the AEC to support the USA domestic mining industry, which, if it produced 8,000 short tons per annum, would supply the country’s demand until 1973?\(^3\)

The answer to this request of the SAAEB lies in their hopes of a boost in world demand, for uranium for peaceful purposes, in the mid-seventies.

In April 1964, US AEC predicted a demand in the free world for $\text{U}_3\text{O}_8$:

- In 1970, 4,500 tons
- 1971, 11,900 tons
- 1980, 40,000 tons

In June 1964, the Commission revised the figure upwards after 1971:

- 1975, 28,000 tons to 36,000 tons
- 1980, 46,000 tons to 60,000 tons.\(^4\)

\(^1\) Currently investigations are being carried out on the possibility of producing nuclear grade uranium of 99.9% purity at no extra cost. Financial Mail 11/9/64


\(^3\) Financial Mail, 26/2/65

\(^4\) Financial Mail, 13/11/64
Thus in the mid-seventies and late seventies there will be a rising market for South African uranium, though initially the prices may be as low as R2.50 per lb. At such a price only few South African mines, West Rand Consolidated, Vaal Reefs and Hartebeestfontein, could compete successfully with the major Canadian and US Mines. South African production costs now average R2.90 per lb,\(^1\) (an estimate which appears a little high) while costs in North America average R1.75 per lb. But at full capacity the three major South African producers would cut costs to R1.54 per lb. Thus the South African mines would be well placed in the seventies.

With respect to reserves South Africa rates second in the world:

<table>
<thead>
<tr>
<th>Country</th>
<th>Reserves (tons)</th>
<th>Average Grade (lbs per ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>250,000</td>
<td>2.3</td>
</tr>
<tr>
<td>USA</td>
<td>130,000</td>
<td>2.3</td>
</tr>
<tr>
<td>SA</td>
<td>178,000</td>
<td>Full capacity of 15 plants</td>
</tr>
</tbody>
</table>

South African grades vary from 0.45 lbs per ton at Harmony to 0.82 lbs per ton at Hartebeestfontein.\(^3\)

There seems little doubt that from 1974 onward South Africa will contribute an increasing proportion of the industrially strategic mineral, probably from 15% upward to 30% of the world supply. Certainly South African domestic demand for industry will cut into the amount available for export. But South Africa's place in the political strategy of uranium mining is established, provided that gold is not devalued.

In the Rand Mines group, controlled by US citizen Charles W. Engelhard, there are two direct subsidiaries producing uranium. Harmony milled record tonnages in 1964 and has a growing stock of uranium. However, even at full capacity, with average grades of 0.45 lbs per ton and costs of R2.40 per lb, Harmony ranks as a costly low grade producer and its future as a substantial uranium source.

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1. Financial Mail, 13/11/64, p. 471: West Rand Consolidated has the lowest cost, while Harties produce at R1.70 per lb, and Vaal Reefs at R1.95 per lb. Plants are not working at full capacity, however.
2. Only eight (8) plants were operating in 1964.
3. Financial Mail, 13/11/64.
over the next 15 years, must be bleak. Merriespruit which needs
de-watering and has a loan indebtedness of R15.8 million, has
more limited reserves of uranium ore than Harmony and is even
more unlikely to provide uranium with the possibility of diminished
prices in the 1970's.

Hartebeestfontein, in which Rand Mines has an interest but
no direct control, could cut costs to R1.62 per lb. at full
capacity. Sharing a plant with Zandpan and milling at 200,000
tons per month, will reduce costs further. The mine is fully
committed to the South African Atomic Board till 1973, but should
be a significant producer for many years after. That Rand Mines
should reduce its Harties investment in 1964 is only a demonstration
that there are more immediately profitable projects elsewhere.2

2. VANADUIM

Anglo-American Corporation have initiated a $140,000,000
vanadium steel project in the Transvaal.3 Due to become fully
operational in 1969, the company will beat the 32% tariff on
vanadiferous ore by producing an intermediate. At the conclusion
of the AEC subsidized program for Vanadium mines in the US Western
States, Anglo's Highveld subsidiary will increase exports to the
US, and Vanadium Corporation has already secured a contract to
purchase the bulk of Anglo's production.4

Union Carbide purchased from Federale Myabou in 1964 a
substantial vanadium property in the Transvaal. Further details are
not available.

3. CHROMIUM

The United States buys 70% of the South African production, or
forty-four (44) per cent of her own requirements by weight and 26%
by value. It should be noted that 26% by value is imported from
Rhodesia. By 1975 South Africa and Rhodesia together will supply
90% of the Free World's requirements.5 Thus, considering the unique
alloying and chemical properties of the metal, there will be
some economic strategy in maintaining supplies to the industrial
centers of the world.

Certainly the lower grade deposits from Montana could be substituted
for imports but at obvious expense — and the far-sighted stainless

1. Hartebeestfontein is a subsidiary of Anglo-Vaal
2. See page 4 of section on Engelhard
3. Business Report (SA Information Service) 15/1/65
4. Financial Mail 25/9/65
5. Financial Mail, 11/12/65
steel manufacturers my take their mills abroad. Especially if labor costs in another country are low or can be legally prevented from rising to compare with wages in mature democratic industrial nations.

The labor costs in a ton of steel run to 60% so that South Africa produces the cheapest steel in the world—some $38 per ton below the US prices. It is thus entirely logical to find Eastern Stainless Steel Co. of Baltimore with Rand Mines, forming in 1965, the Southern Cross Stainless Steel Co. which will manufacture in South Africa. Seventy per cent (70%) of the stainless steel will be exported to Europe and North America. Iscor will supply the steel and RMB alloys, another Rand Mines Interest, will supply the ferrochrome.

Another pointer to a captive chromium industry is that the Allied Chemical Corporation has a 51% controlling interest in Montrose Exploration; the latter holds barely delineated chromite property in the Transvaal. Union Carbide subsidiaries include the Chrome Corporation of South Africa, while Vanadium Corporation holds the entire capital of Rhodesia Vanadium Corporation, whose principal business is mining and milling chromium in that country.

4. ASBESTOS

South African production represents 10% of free world output. However, there are three natural varieties of asbestos classified according to fibre length, and for one variety, Amosite, South Africa has a near monopoly. Twenty-five per cent (25%) of all South African Amosite is exported directly to the United States. Ten per cent (10%) of all South African crocidolite goes to the United States.

From the point of view of US imports, there is a bill of $6.6 million for amosite and crocidolite, $5.8 million being paid to South Africa. Total US imports of asbestos are valued at $61.7 million, $6.5 million owing to South Africa, a small percentage of total import costs, since chrysotile is supplied from Canada.

There is a substitute for crocidolite, but Amosite is irreplaceable. There is 2½ years' supply in the US stockpile, but amosite demonstrates in a small way, further US independence on SA reserves.

1. Business Report (SA Information Service) 9/10/64. Heavy capital expansion by Iscor during 1964-5 is leading to a rise in prices.
2. The Table compiled by E. Zupnick, p.191 of Ronald Segal's book, "Sanctions Against South Africa" does not appear to be consistent with US Bureau of Mines Reports, on Asbestos Trade
5. **NICKEL**

There is a strong theoretical possibility that nickel may be found within the Bushveld igneous complex to the North of the Rand. In a broad sense the geological structure is akin to the Sudbury Lopolith which supplies 90% of the free world requirements. International Nickel Corporation, registered in Canada, has a virtual monopoly of production so that it is not surprising to find them drilling with Anglo-American at the Pilansberg prospect in the Transvaal. But part of the money for prospecting came from Crucible Steel (US), demonstrating again the close producer-consumer ties within the metal industry.

6. **COPPER**

Copper is included in this report because Newmont Mining Corporation has substantial interests in South Africa's small copper production.

In 1963, South African production totalled 60,000 tons of blister copper, two-thirds from O'okiep, the Newmont subsidiary. In 1966 the Palabora pit will be producing 38,500 tons of ore daily, giving 80,000 tons of Anode copper per year from its smelter.

Even then South Africa will still contribute less than 3% of the world's supply of copper. However, the production from American and British-owned mines will allow South Africa to be self-sufficient in the foreseeable future. Newmont will take further dividends as they hold 28.8% of the share capital of Palabora, the controlling interest being Rio Tinto Zinc Corporation, a British Company. AMAX has a 9.3% interest in the project, which is to employ 800 Africans and 500 Europeans. Sixty per cent (60%) of production is to be sold on contract to West German companies.

7. **ALUMINUM**

Like copper, neither South African aluminium nor its ore will ever bulk high in the country's trade figures; nor will these products have any strategic value for free world industry. But the companies involved in production of the metal will allow South Africa to be self-sufficient, though the ore will continue to be imported.

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1. Financial Mail, 7/8/64, p. 354
2. Financial Mail, 15/5/64, p. 395
a) **Bauxite:**

I.D.C. and Rand Mines are jointly prospecting for resources as well as examining the less commonly exploited minerals, kyanite and sillimanite. The outlook is not optimistic.

b) The smelter to become operative in 1966 will use imported alumina, but will save 1/3 to 1/2 of the 1962 import bill for aluminium. In that year, 15,143 tons of aluminium were imported at a cost of R4.9 million.

c) The new smelter will supply the two fabricators, Republic Aluminium at Olifontein and Alcan in Pietermaritzburg. These manufacturers have capacity for 36,000 tons of rolled products per annum compared with current S.A. consumption of 25 thousand tons. (However, it is estimated that the domestic demand will double by 1970).

Republic Aluminium is controlled by McKechnie Ltd and Kaiser Aluminium (US), 50:50. In 1962 a $2.1 million expansion was undertaken and $0.56 million was outlaid for additions to the plant in 1964. Likewise Alcan has spent $7 million since 1957 including $0.5 million on the Maritzburg mill in 1964. It would seem that both companies will be able to expand to meet the increased demand of the next five years.

8. **MANGANESE**

In 1963, South Africa contributed 8% of US imports and 12% of US imports of ferromanganese.

9. **GOLD**

Gold has not been discussed in these papers, as this mineral has been more than adequately covered by Roger Opie in "Sanctions Ag. South Africa", by Ronald Segal.

**MINING EQUIPMENT:**

Jeffrey Co. of Columbus Ohio, use 100% South African raw materials in producing bulk handling equipment, mining machinery, crushers, feeders and belt conveyers. In 1965 it was announced that, in addition to R3.2 million already invested, the Company would provide an extra R2 million for extensions and new equipment. 1 So Jeffrey Co. has now a more sizeable investment in South Africa than their American rivals Joy-Sullivan of Pittsburgh, who in 1964 had $4.9 million capital holdings. 2

Both Companies are smaller than the Davies Co. (UK origins) of Tulsa Park. Neither Company has as yet followed Davies into exporting to developing countries and undercutting their own western rivals through the use of cheap labor.

1. South Africa Digest (SA Information Service), 19/2/65
2. Business Report (SA Information Service) 3/4/64,
1. **WAGE STRUCTURE**

There are 380,000 Africans employed surface and underground by the gold mining industry. Per year this labor force costs the mines R123 million in wages, board and lodging, and the capital write-off for housing and amenities. There are 45,000 Europeans employed, costing the industry $245 million per year.1 Observers of the South African scene are used to such facts.

For two mines in the Rand Mines group, wages as a percentage of total costs break down thus:

<table>
<thead>
<tr>
<th></th>
<th>African Wages</th>
<th>European Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harmony</td>
<td>14%</td>
<td>26%</td>
</tr>
<tr>
<td>E.R.P.M.2</td>
<td>18%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Of the cost of African labor, one-fifth is said to be in benefits other than wages. One-third of white labor costs is in benefits.3

Where lies the responsibility for structuring African wages? Liaison Officers appointed by the Gold Producers' Committee of the Transvaal and Orange Free State Chamber of Mines watch conditions of employment. Furthermore, the Bantu Labor (Settlement of Disputes) Act of 1953 allows the Government department of Labor to seek out the legitimate grievances and aspirations of African labor.

In practice the Department pays more attention to the lowest paid white miners - as in their recent successful complaints against the up-grading of "boss-boys" (CNSPs), to greater supervisory capacity underground. Such an African take-over of the ordinary stoper's job would have saved the industry $70 million per year.4 As it is, the boss-boys will continue to undertake certain tasks not permitted by law - for example, the placing of explosives.

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**NOTE:** R1.00 equals $1.4

1. *Financial Mail*, 14/5/65
2. East Rand Proprietary Mines Ltd.
3. *Financial Mail*, 31/12/64: The calculations on p. 7 following, show that between 1/3 and ½ of the cost of African labor is in benefits other than wages. An example of Company's benefits for white miners is indicated by the housing system. Houses for married miners cost $70 per month, of which the Company pays $47.5, leaving a $22.4 per month cost to the miner.
4. *Financial Mail*, 14/5/65
In the politics of mine costs let us never be deluded that either the Government or the industry has the best interest of the Africans in mind. Until Africans are able to organize a Miners' Union, any extra bread to go their way, will merely be fortuitous crumbs. The European owners are said to be more "liberal" than the Department of Labor: "We (the Companies) want blacks in better positions on the mines because it will increase productivity, and the overall wage bill will be less." These better positions would carry increased wages, but even AMAX missionary zeal in Zambia had to be prodded by the Miners' Unions.

In 1964, the Chamber of Mines raised the minimum wages for its African wards by 10%. A.A. von Maltitz, Chairman, stated: "many mines have already adopted a system under which workers can move up to grades well above the minimum if they prove their worth. To that extent the net effect of the increase will be limited." The minimum rose to 46 cents per day for underground workers and thirty-five (35) cents per day for surface workers. The minimum wage on the Copperbelt is more than three times higher. Furthermore, the Gold Producers' Committee voted on a minimum for European workers underground, $7.82 per day.

How many Africans are in "grades well above the minimum"? Across the board wage structure is difficult to ascertain, but the writer studied principally at the gold mines in 1964 and was able to collect extensive data. These mines had labor costs as a percentage of total costs equivalent to the Harmony mine. Admittedly not as revolutionary as certain mines within the Anglo-American group which have experimented with a minimum of 84 cents a day, with an average wage of over $1.4 a day, the mines studied might nevertheless be near the average for any gold in its pay structure. There is no statistical basis to such a statement, due firstly to the existence of 'competitors' which leads to secrecy by other companies, and secondly the reticence of the research staff of the Chamber of Mines. Another comment must be that in general the 225,000 Africans employed in South African mines outside the gold industry are paid somewhat less.

1. African Trade Unions are not recognized and all strikes are illegal. "It is unlawful for an African worker to take part in a strike. If he does so he is liable, on conviction, to a fine not exceeding five hundred pounds, imprisonment for a period not exceeding three years, or both such fine and imprisonment."
   Quotation from This is Apartheid, by Professor Leslie and Mr. Neville Rubin, p. 26, published by Christian Action: The Rubins cite the Native Labour (Settlement of Disputes) Act No. 48, 1953, Section 18, for this quotation.
2. Financial Mail, 14/5/65
3. Financial Mail, 3/7/64
4. Financial Mail, 31/7/64
In the mines under consideration the minimum for various job classes were:

- 35c all surface workers
- 42c compound police (s)
- 46c all underground workers
- 47.5c clerk (s)
- 52c leading-hand (ug) - category below boss-boy
- 56c compound cook (s)
- 61.5c boss-boy (ug & s)

Now there are various bonus systems. Basically these reduce to three: the bonuses for long service, those incentive bonuses for footage drilled and tonnage filled, and bonuses for special skills such as first aid. The latter qualification earns 2c(SA) a shift extra.

The long service bonuses average an extra 2c(SA) shift for every shift contract worked, though clerks' pay increases 5c per day for every 6 months worked. Incentive bonuses vary considerably from mine to mine as will be seen.

Thus on these gold mines certain Africans were drawing as follows:

- Clerk with 8 years service $47.5 p.m.
- Clerk with 16 years service (stores) $56.0 p.m.
- Clerk with 26 years service $70.0 p.m.
- Hospital Orderly with 18 years service $105.0 p.m.
- Loco Operator underground: 60c basic + 14c bonus per shift $22.0 p.m.
- Development boss boy 61c basic + 21c bonus per shift $20.60p.m.
- Pipes Tracks Vents boy (leading hand) 53c basic + 14c bonus per shift $16.8 p.m.
- Stope boss boy 61c basic + 38c bonus per shift $25.0 p.m.
- Cookhouse boss boy $49.00p.m.
- Machine boy on high speed development, $1.75/shift $4.20 p.m.
- Machine boy in stopes $16.8 p.m.
- Spanner boy after 2 year service: 49c per shift $12.5 p.m.
- Sweeping boy after 2 years service: 49c per shift $12.5 p.m.
- Lashing boy after 2 years service: 49c per shift $12.5 p.m.
- Average wage for boss boys is 91c-98 per day- $22.7-$24.5 p.m.

The average wage for the 4,500 Africans in one of these gold mines in 1964 was 67c per day, corresponding exactly to the Group average which had risen from 63c per day in 1963.
Let us look at some other South African mines before returning to our average gold mine to study the living and working conditions of the African miner. At a platinum mine visited the following pertained:

Boss boys earned an average of $1.4 per day + 8c bonus. Development boss boys earned an average of $1.4 + 56c bonus.

Machine boys earned an average of 70c per shift, including bonus. Development machine boys earned $126c per shift, including bonus.

Scullery boys (3a.m. - 8 p.m. shift) earned $14.00 per month.

Waiters earned $22.4 per month.

This particular mine was paying the few boss boys extremely well, thus skewing the wage distribution and giving a strangely high average. At an antimony mine the skew was even more pronounced, a few boss-boys receiving $70.00 per month, while machine boys received a low 42c per shift basic with only 1c (SA) bonus. The latter compared with footage bonuses of 7c at the platinum mine, 8.4 cents at a tin mine and 2c(SA) at a South West African mine. At the tin mine, machine boys received 54c per shift basic pay.

From such a brief survey we could not possibly conclude that average wages on South African mines exceed 8c per shift. The median lies between 56c and 63c per shift. Such wages approach the comic because South Africa is not an underdeveloped country. But perhaps the outsider can reappraise this view when he has examined how the Companies "look after" their Africans, in the section on labor conditions.

On the gold mines, principally studied, a wage sampling technique was not easy to construct owing to the three different bonus systems. However, a sample of twenty African miners was taken, representative of the total numbers employed by category of job.
Some attempt was made to allow for mean bonuses i.e. years employed, first aid qualifications, overtime and incentive bonuses. The wages per shift in this sample were:

<table>
<thead>
<tr>
<th>35c</th>
<th>47c</th>
<th>56c</th>
<th>80c</th>
</tr>
</thead>
<tbody>
<tr>
<td>36c</td>
<td>49c</td>
<td>56c</td>
<td>$1.04</td>
</tr>
<tr>
<td>43c</td>
<td>50c</td>
<td>57c</td>
<td>$1.20</td>
</tr>
<tr>
<td>45c</td>
<td>53c</td>
<td>63c</td>
<td>$1.33</td>
</tr>
<tr>
<td>46c</td>
<td>55c</td>
<td>66c</td>
<td>$1.40</td>
</tr>
</tbody>
</table>

The mean of this sample, proved out independently to be 67c, a check on the Company's average as quoted by the Work Study Manager.

It can be seen that these values have a binodal distribution and that only five in every twenty miners earn above the average wage. The median of this sample is 55 cents per shift which represents the most probable expectation of financial reward to an African entering the mines.

2. LABOR CONDITIONS

Of the 380,000 gold mining labor force, 60% comes from outside the Republic and 20% of these expatriates are from the so-called High Commission Territories. The workers from Bechuanaland, Basutoland and Swaziland as well as South African laborers are allocated by the Native Recruiting Corporation. The Witwatersrand Native Labour Association administers the Africans from Rhodesia, Zambia and Malawi, a few Tanzanians and those from Angola and Mozambique. WNLA supplies the African Laborer with clothing for the journey south and transports him free of charge, usually by air, to a clearing center in Francistown, Bechuanaland. From there the miner travels by rail to Johannesburg. It should be noted that all miners, wherever they are domiciled, wherever they are employed, pay their own return fare from savings accumulated during their contract.

1. In spite of Dr. Nyerere's edict prohibiting laborers leaving for South Africa, some still find their way south. Like the Nyasas, their entry into Zambia for work is not permitted. Nationals of both countries could save $100 on a nine month contract in South Africa, a sum higher than the per capita annual income of both Malawi and Tanzania.
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<td>66c</td>
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</tr>
</tbody>
</table>

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Allocations of labor to mines goes according to quota. Most mines receive 106 - 108% of the supply they request; furthermore Work Study Managers have detailed plans on reduction of quota by one-third. The managerial mentality when cheap labor is in abundance has lead to extraordinary inefficiency, though there has to be some surplus to tide the mines over harvest time. The writer would offer an additional theory that there might be some collusion between the Chamber of Mines and the Ministry. The latter might issue a warning that company taxation would have to rise if one hundred thousand Africans lost their jobs in the gold mines. The companies, which could easily dispense with such a number without any capital substitution, would take the hint and continue with their swollen inefficient work force.

On the mine the single man is housed with fifteen others in a bunkroom 20 ft. by 30 ft. A compound may be made up of 200 of these ground level rooms under one corrugated iron roof. Thus the laborer has a personal space of 6ft. by 6ft. for the duration of his mine or ten month contract. There are rarely more than two or three dozen unmarried women in the mine vicinity. "Homosexuality in the compound is not rife"; one white compound manager said he had only "about three reported incidents every month"; it is not clear why these incidents were reported at all.

Two mines visited had married quarters, one mine having houses for twelve couples out of 5000 African laborers, the other having 26 couples in a total of 7300 workers. The Compound manager took great pride in showing me the two and a half room cabin where a $70 per month clerk lived with his wife and eight children. Yet one must admit that these quarters and food were provided by the Company.

The compounds have adequate, often good, cooking facilities. In most mines visited the ablution block was too small, badly tended and hot water erratic, because boilers and pipes needed repair or replacement. For example, thirty-six lavatories between 4,000 men could be insufficient when these men finish the underground shift within some ninety minutes of each other in the early afternoon.

1. It should be noted that many of the Africans who come to the mines are likely to be married men. The number of married quarters bear no relation whatsoever to the number of married men.
Recreational provision may include a running track shared between three or four mines and a small arena where dance competitions are held and films shown once a week. When one considers that about 5000 men are crowded together on these compounds, such welfare provision is quite inadequate. No wonder many laborers prefer work underground. Neither is it surprising that bar takings reach £140,000 per year in a compound of this size. "That £16.8 per month is just pocket money, man, a lot of it beer money," said one compound manager. Naturally the beer contains only 3% alcohol. No miner can slip into the alcoholic oblivion described by George Orwell in his observations on the U.K. coal miner at face and home in the threadbare twenties.

The African is like anyone else, employed to work. Thus the calories are sufficient. Before going below the miner has half a loaf of bread and a hot drink; in the early afternoon when he returns he eats the only meal of the day. No food or drink is allowed during the eight-hour shift. But most Africans put on weight in their period at the mines, perhaps a tribute to the starvation diet of the rural areas. Life thrives in the mines. So does it in the Zoo.

Food costs the Company 17c per day per man and the Company provides mine clothing. In addition, each man costs the Company 10c per shift worked, the money going to WNLA to pay their trafficking expenses. An independent check on benefits is shown by the case on one month's running costs for a mine compound housing 4,500 men:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stores (i.e. food) for compound</td>
<td>£26.4 thousand</td>
</tr>
<tr>
<td>Training</td>
<td>4.5 thousand</td>
</tr>
<tr>
<td>Hospital</td>
<td>4.2 thousand</td>
</tr>
<tr>
<td>Other costs</td>
<td>2.7 thousand</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£38.0 thousand</strong></td>
</tr>
</tbody>
</table>

- that is, benefits approximately 27c per man per shift.

The initial cost of building a 200 room compound was £1.08 million, which, written off over five years for 4,500 laborers costs 17c per man per shift.

Thus, if the average miner receives 70c per shift in cash, the Company is spending another 27c per shift on him directly, plus the above capital write-off on the compound for the first five years of its existence.

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1. The Bar open times at one mine were from 3 - 6:30 p.m. weekdays, and 2 - 5 on Sundays.
Underground conditions are not Orwellian. In any mine there is some dust and some danger; noise to obliterate minds and voices; roofs and walls to cramp and cut. South African gold mines are in addition the hottest and deepest in the world; some must be the wettest.

No professional miner in the world would complain about these hazards. No professional miner would fail to complain about the "pocket money", the 6 square feet, his absent family and his blocked and faulted future.

The miner is dehumanized. At times the treatment meted the African might draw the attention of an SPCA - and I mention this Society advisedly. I met one well-accepted white miner with a record of six assaults underground, one involving the use of a spade. At one mine visited, an African was tied up underground and urinated on by a white miner. In the latter case the miner was merely fired and will easily find his way to another mine outside the gold mine. These are isolated cases perhaps, but the accepted practice for pacification of restive labor underground appears universal. "Get the boss-boy and a leading hand, hold down the laborer, remove his trousers and take his temperature. The coon is a bit embarrassed when you put something up his arse."

Out of his "pocket money" the African miner must provide for his dependents, and pay for his return home. He must provide for the impossibility of his own living at the edge of the glittering European cash economy under the arclights of conspicuous consumption. For he does not live in this half-world. He exists chained to the habit of a white man's rock, his mind clouded by the ritual of sweat and wet dust, weak beer and battery food.
It may be that the essence of a great tycoon is that his left hand should not know what his right hand is doing, though he retains imperial command of both. To an accountant within the Engelhard Empire, the complexity must be like the maze of a 19th Century family estate. For the peasant beyond, the concepts are unfathomable and thus, it is only possible to describe what is seen.

Engelhard inherited a family industrial empire, based on platinum, silver and industrial gold. Engelhard Industries Inc. is the principal arm of the organization, having plants in Canada, the United Kingdom, Italy, Switzerland, Australia and Colombia. It is the world's largest refiner and fabricator of precious metals and holds a monopolistic position in the bottleneck between miner and consumer. Engelhard Hanovia, which is mainly owned by the family, has 72.2% of the stock of the major company.

Now Engelhard Industries has no interest in South Africa, though it cannot be denied that Engelhard Hanovia is involved in that country's mining and industry. Originally the tycoon's movements were backed heavily by Dillon Reed and Co., but it must be admitted that now nearly all the capital for the South African industries comes from local loans or the plough-back of indigenous profits. Certainly in 1958 Engelhard had organized the American-South African Investment Corporation, raising $30 million in the US, but since then, the Corporation has of course been self-sustaining.

The significance of Citizen Charles Engelhard is that he is a US businessman controlling minerals essential to his country's strength and integrity. As such, he is close to the Administration. The esteem in which he is held - as a citizen - has been demonstrated by his appointment as US representative to the Zambia and Gabon Independence celebrations, and the Coronation of Pope Paul VI. In December, 1960 it was rumoured that Engelhard would be the next Ambassador to France, just as the tycoon two months later was Governor Meyner's last-minute choice for the Democratic gubernatorial nomination for New Jersey. Neither post came to fruition: gratitude has its limits and from Engelhard's point of view the appointments must have involved some loss of power.

1. Newark News, December 26, 1960
The procession has rolled on and 1964 saw Charles Engelhard a huge financial backer in the Democratic Party's national campaign. At his parties Adam Clayton Powell, Frank Church, Frank Moss and Ernest Gruening appeared and the "liberals" were taken under his wing. "A humanitarian of the first order", said President Johnson\(^1\); "We must sell our way of life to other peoples", said Charles W. Engelhard.\(^2\)

The veneer of paradox is not yet fashionable in our democracy so that our contradictions must be accidental. Engelhard has adjusted to his country's more liberal mien: "If we are to be successful, government, labor and industry must work together" (about the US);\(^3\) and, "it is essential for the country to develop a basis for handling its Bantu labor which is acceptable and reasonable by world standards"(about South Africa).\(^4\) The Administration's comments on the Great Contributor are never less than complimentary. These comments applaud a "humanitarian" whose property in Newark has aroused the interest of community development workers, -- and a "humanitarian" who sits as a director of WNLA and NRC, the ruthless overseers of migrant labor in South Africa. It is obvious from the foregoing that Engelhard has a very special responsibility in developing labor relations in South Africa so that they are "acceptable and reasonable by world standards".

The principal Engelhard organization in South Africa is Rand Mines. Rand Mines is effectively an investment company with 56% of investments in gold and uranium mining in 1964, and 66% of its income flow from that source. However, the proportion of mining investments is declining, viz. in 1963, sixty per cent (60%) of the investment was in mining and 71% of the income flow from this source.\(^5\) The purely financial and industrial aspects of the company are broadening, but being in an early stage, such investments are not yet providing a concomitant return flow. The company is large by South African standards; the market value of investments at the end of 1964 stood at $34.78 million.\(^6\)

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1. Newark News, March 26, 1964
2. Ibid
3. Ibid
4. South African Digest, September 14, 1963
5. Witwatersrand Native Labour Association; Native Recruiting Corp.
6. Financial Mail, May 14, 1965
7. Financial Mail, May 14, 1965
The gold mines within the group are high cost, low grade, well-worked propositions.\(^1\) Thus Modderfontein East, Rose Deep, and Consolidated Main Reef have recently ceased working. City Deep and Crown Mines applied for Government loans under the scheme to help marginal mines, although some might see hopefulness in the report that they have between them 6 million tons of ore which could be profitably mined if costs could be cut to a small percentage. Merriespruit troubles are described in the uranium section; Transvaal Gold Mining Estates is a very small operation; Blyvooruitzicht obtains 8% of its profits from uranium production\(^2\) but has steeply rising unit costs, though it is the most profitable gold mine in the group as the grades are 50% higher than elsewhere. Harmony earns a 25% profit from the by-product, uranium\(^2\) and may indeed be the best proposition in this area of the Rand Mines' current activities. Both Durban Roodepoort and East Rand Proprietary Mines milled record tonnages in 1963, but at high - though not rising - cost.

Other interests include coal (5%)\(^3\), which shares have been rising due to confidence in the greater power demands of the country. Oil exploration is undertaken in Zululand with Anglo-Vaal and Engelhard Hanovia as partners.

In the metal industry, Rand with IDC and Scaw Metals formed a company, RMB Alloys in 1964, with initial capital of $7 million\(^4\). The company will produce 35,000 tons per annum of cheap, low carbon ferrochrome, 95% of which would be exported. The new process which utilizes the low grade chemical ore will undercut the production from the more expensive metallic grade available in Rhodesia. Now the US has 8.5% tariffs on low carbon ferrochrome (6% on high carbon ferrochrome) to protect its own manufacturing industry. No wonder that Engelhard testified before Congress on March 21, 1962, in support of the Administration's tariff cutting bill.

Another Rand Mines investment related to chromium production is in Southern Cross Stainless Steel Co formed in 1965, wherein the Engelhard group is principal shareholder alongside the Eastern Stainless Steel Corporation of Baltimore. In February, 1965, the plant investment totalled $14 million with a 25,000 tons per annum rolling capacity. The domestic South African market is

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1. Financial Mail, May 29, 1965: contains data and comments on individual mines within the Rand Group. Those producing uranium are noted in the section on that mineral.
2. Calculated from the Mining Year Book, 1964
3. Financial Mail, May 14, 1965
4. Financial Mail, May 1, 1964
seven-thousand (7,000) tons per annum so that markets will be found in Europe and North America.¹

Presumably Southern Cross will buy a large proportion of the RMB Alloys output of ferrochrome, so that perhaps only 25% of the latter's products will now be exported. Finally Engelhard and associates are taking advantage of local steel (ISCOR), which is the cheapest in the world, saving $3.38 per ton on US prices.² The saving comes from the use of cheap labor.

The Nourse Electro Chemical Corporation, a Rand Mines Subsidiary, took over the Astra Metal Company in 1964, producing electrolytic copper and thereby saving in foreign exchange. However, the production of cathodes from scrap at the rate of 125 tons per month represents only a small proportion of South Africa's requirements.³

We are showing how Rand Mines has been shifting away from investment in raw materials into industrials and finance. For example in 1964, holdings in the Transvaal and Delagoa Bay Investment Company increased. The latter owns Douglas Colliery Ltd. and 71% of the South African Pipe Company; and apart of Lorenzo Marques Township.⁴

A major emphasis in the diversification is toward building industry materials. It may be noted that Government spending has made the largest contribution to the economy's post-Sharpeville growth. Thus Rand Mines holdings have increased in Pretoria Portland Cement (which merged with Rhodesia Cement in August, 1963) and Cape Portland Cement is also a subsidiary in the group.⁵

The Hume Pipe Company, working from its Germiston factory, has developed rapidly and in the 1964-5 year registered an 88% increase in tax profits.⁶ However, the Company earnings yield in 1964-5 was a low 3.8% for reasons such as the capital involved in the take-over of Monoweld, the second-largest manufacturer of steel tubes in South Africa. (The Company successfully negotiated with Phoenix-Rheinrohr A.G. of West Germany and the Union Bank of Switzerland). Previous 1964 developments included the contract to supply Collins Submarine Pipelines (Africa) for the disposal of SAICCOR effluent off Natal;⁷

¹. Cape Times, February, 24, 1965
². Business Report, October 9, 1964
⁴. Financial Mail, December 24, 1964
⁵. Financial Mail, May 14, 1965
⁶. Financial Mail, June 25, 1965
⁷. Financial Mail, October 2, 1964
also a Sasol contract for a 150 mile gas line and the Vaal Dam-Zuikerbosch pipeline.

Rand Mines have developed close links with the Central Accepting Bank and the Accepting Bank for Industry. Rand Mines was also one of ten companies which provided $1.4 million to float the Rank Bank whose main activities are to be the financing of imports and exports.

American-South African Investment Company

Engelhard is chairman of this finance company which earned a record net profit of $2.83 million in its 1964 financial year. Like many other financials there was some switch within the group out of gold, into industrials. Like Engelhard Hanovia (S.A.) information on company interests has to be squeezed from scant evidence. Engelhard Hanovia (S.A.) petitioned the Rand Supreme Court in 1964 to become a private company and therefore, "not to be required to file for public record any financial information which is now available to its competitors." In Parliament the same year, a question was tabled by D.G. Ross regarding the income tax benefits of the American-South African Investment Company. Irregularities were denied by the appropriate Minister.

Engelhard Hanovia

Engelhard Hanovia has a subsidiary, South Africa Forest Company, involved in forestry, sawmilling and pulp, with plantations in the Eastern Transvaal. (This Company should not be confused with the Exchange Yard Co. which provides Rand Mines with support timber).

1. Financial Mail, September 11, 1964
2. Business Report, August 14, 1964
3. Financial Mail, May 8, 1964
4. Financial Mail, March 12, 1965
7. Financial Mail, May 22, 1964
Charles W. Engelhard directly controls nearly 15% of South African gold production and almost 20% of uranium production. Through his other directorships, particularly of Anglo-American Corporation, Charter Consolidated and the Rand Selection Corporation, he influences mineral policy decisions of producers of two-thirds of South African gold and uranium.

Interest in more minor metals has been demonstrated. We should further note that Engelhard fabricates all US platinum supply. The principal quantities of platinum imported are from International Nickel Company in Canada, but 28% has its immediate source in the United Kingdom. South Africa supplies 40% of free world platinum and most of that finds its way to the United Kingdom. Engelhard has tried to break the Rustenburg Company hold on South African platinum mining in a vigorous drive for the adjacent Brakspruit Property, which will provide an alternative source for the New Jersey factories. 1

More and more Mr. Engelhard is profiting from the boom in South African government spending. Tacit acceptance of a totalitarian labor policy for his own mines and his part in the organization of this labor by WNLA and NRC is therefore allied to support for a government whose economic policies mirror the best tradition of Western cyclical booms.

Perhaps the paradox of C.W. Engelhard is the paradox of US leadership in the Free World. Men in Western countries are reappraising the banner of common law in the democracy the US holds up to the world. So must we look again at a country whose foreign policy to South Africa is built upon the strategic value of South African raw materials, won from the earth by a voiceless, squalid work force spurred on by the capital of US and UK tycoons. The latter and their political associates are men who are playing for time when time is not on their side.

It is possible that within the man these conflicts exist. Forbes Magazine published a feature story on Mr. Engelhard in August, 1965. There it was implied that Ian Fleming's acquaintance-ship with the millionaire gave rise to the character, Goldfinger. No one except Forbes Magazine would have described Ian Fleming as a biographer, but then neither is the President, who describes his friend as a "humanitarian".

The enigma remains. It is a smear on US integrity.

1. The exploitation of the Brakspruit property is more easily undertaken by the Rustenburg mine. The controlling consortium includes Charter Consolidated, Federale Mynbou, Rand Mines and Anglo-American. There is a long-term sales contract with Engelhard's USA fabricators.
THE MOTOR INDUSTRY IN SOUTH AFRICA

1. GENERAL BACKGROUND

In the whole continent of Africa, there is a vehicle population of 3,205,000 cars, buses and trucks. The Republic of South Africa, including South West Africa accounts for almost half of the vehicles on the continent: 1,376,000 more than three quarters of which are automobiles.

The motor industry in South Africa can be described best as an assembly industry which, through the services of an indigenous components manufacturing sector, is rapidly increasing local content of automobiles produced. In other words, previous practice has been to import almost the entire automobile in Completely Knocked Down (CKD) packages, which were assembled in subsidiary plants in South Africa. However, as local industry has expanded and subsidiaries of foreign companies have retained profits from their South African sales, more emphasis has been placed on the domestic manufacture of components, i.e., increase of "local content". (Components in this case denotes a wide variety of products ranging from hydraulic brakes, to pistons, to exhaust pipes, to various types of bolts and nuts.) Of the 196 companies which are producing these components, some are fully South African, others are subsidiaries or licenses of foreign companies. In the case of General Motors, components manufacture has become part of the vertical integration of the plant.

American component makers include: Goodyear, FMC, Avco, Budd, Dana, Fruehauf, Clark Equipment, Eltra, Link-Belt, Electric Storage Battery, Maremont, Harsco, Borg-Warner, Rockwell Standard, Prestolite and many others. As will be described in detail below, there has been a marked trend towards the manufacture of heavier components such as axles, frames, etc. and engines themselves, partially in response to pressures from the South African government and partially out of economic practicality.

Total auto investment in South Africa in 1964 has been estimated at $139 million. Sales figures for 1964 give a fairly clear picture of the predominant position of US subsidiaries in the South African auto industry. Total vehicle sales were 195,756, of which 143,373 were autos and 53,383 commercial vehicles. The breakdown is as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Sales</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ford</td>
<td>39,020</td>
<td>27.2%</td>
</tr>
<tr>
<td>General Motors</td>
<td>38,282</td>
<td>26.7%</td>
</tr>
<tr>
<td>South African Motor Assemblers</td>
<td>19,494</td>
<td>13.6%</td>
</tr>
<tr>
<td>British Motor Corporation</td>
<td>16,682</td>
<td>11.6%</td>
</tr>
<tr>
<td>Car Distributors and Assemblers</td>
<td>8,173</td>
<td>5.7%</td>
</tr>
<tr>
<td>Stanley</td>
<td>8,818</td>
<td>6.2%</td>
</tr>
<tr>
<td>Chrysler</td>
<td>7,169</td>
<td>5.0%</td>
</tr>
<tr>
<td>Motor Assemblers</td>
<td>5,735</td>
<td>4.0%</td>
</tr>
</tbody>
</table>
Also, in 1963 American companies accounted for 45.89% of the total commercial vehicle production. In the first 9 months of 1964 38,799 commercial vehicles were produced (already more than the total 1963 figure) and of these American companies produced 44.35% or

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Motors</td>
<td>8,031</td>
</tr>
<tr>
<td>Ford</td>
<td>7,356</td>
</tr>
<tr>
<td>Chrysler</td>
<td>1,021</td>
</tr>
<tr>
<td>International Harvester</td>
<td>701</td>
</tr>
<tr>
<td>All Japanese Makes</td>
<td>11,854</td>
</tr>
</tbody>
</table>

Return on investment and general profitability are high in the motor industry as in all other sections of the manufacturing industry. For example, SAMAD, assembling Volkswagens and Studebakers, produced 16,004 vehicles in 1959 resulting in a net profit of $1,046,332. In 1963 it produced 16,482 vehicles with a profit of $1,361,476. Thus the profit per car in 1959 was $65.40 and $82.61 in 1962. With an increase of only 478 units profits increased by $17.23 per unit.

In order to understand the gradual transition of the motor industry from assembly to manufacture (and to see this trend as part of the general developments in the South African economy) one needs to understand present import control policies and inducements for local manufacture of components. "The changeover to locally manufactured items has been a slow process, due to lack of suitable inducements, a low tariff on CKD packages, late development of the South African metallurgical and engineering industries, a small home market, inadequate allowances by overseas plants for the deletion of items from CKD packs, the wide range of models and frequent model changes, and the car company's policy of selling a part cheaper when incorporated in a car than as a spare." (Footnote #1)

The past few years have seen a marked diversification of secondary industry in general along with the determination of the Government to decrease the amount of foreign exchange expended on import of vehicles, both assembled and unassembled. For this reason, the Government has decided to establish regulations leading to a progressively increasing local content. "The import permit formula enables every make to retain a portion of the market, but accords the balance to those who have achieved the highest percentage of local components in their vehicles." (Footnote #2) Although the Government realizes

#1 A great deal of the material included in the first 6-8 pages of the report has either been quoted directly from or paraphrased from a report on the South African Motor Industry written by Gary Busch, research assistant in the United Auto Workers. I acknowledge the help—both direct and indirect—with which he has provided me. (all direct quotations of his work will be noted)

#2 Gary Busch op. cit.
that such a program will inevitably increase cost of production and hence price of cars, it has established this policy for both economic and strategic considerations.

A local content scheme allows for the issuance of import licenses to import CKD packs in direct proportion to the percentage of local components incorporated into the assemblers "built-up" cars. Permits are issued primarily on the basis of the traditional share of the market hold by various manufacturers. This allocation is made only if the company has reached a "nil-point" of local content, e.g., 12%. If basic content is above this point, the company is given bonus permits in proportion to local content. In addition, a company is eligible for rebates on excise duties, again on a percentage basis, after it has reached a 30% local content.

These factors are mentioned only to show the pressures now playing on the motor industry to both cooperate with the government and, more basically, to expand in such a way as to produce an increasingly South African car. Obviously, unless they cooperate, they will quickly lose sales to competitors which are increasing local content. G. S. J. Kuschke, General Manager of the Industrial Development Corporation was reported as making a statement to the effect that: "The establishment of a factory for making the pressings needed for motor vehicle bodies was considered of utmost importance and the Industrial Development Corporation was prepared to underwrite such a project and help its establishment." (Footnote #1) Thus, it is worth noting that, with encouragement like this, most companies do accept the policy as economically feasible in the long run and even in 1964 had produced autos which, on the average, were of 37-40% local content. Since its inception in the 1920's the motor industry has responded to the dips and rises in the South African economy; in the 60's it very obviously is accepting the planning policy of maximum economic self-sufficiency as the industrial sector of the economy develops.

II. SUBSIDIARIES OF U.S. AUTO MANUFACTURERS IN SOUTH AFRICA

The three U.S. auto manufacturers most significantly involved in the South African motor industry generally follow the pattern outlined above, but their operations should be covered separately.

1. General Motors: General Motors was established in South Africa in 1926 as a distributorship and has slowly expanded operations to reach an employment figure of 4,135 (which is increased by 600 with the completion of engine plant) and total retail sales of 38,282 in 1964. All General Motor's operations are located in the Port Elizabeth-Uitenhage areas.

Under current domestic expansion plans as outlined above, General Motors was the first American manufacturer to produce a fully South African engine in 1965. The 1960 General Motor annual report stated that the total area occupied by GMSA was 90 acres and total investment in real estate, equipment, and inventory approximately $33 million (a figure which is misleading without

#1 (Cape Times, May 28, 1965)
assessment of plant costs of the South African subsidiary year, etc.). In order to place the initial investment figure in proper perspective: expenditures of the South African subsidiary for 1963 totaled $48 million in salaries, expansion, etc.. Also of note is the fact that General Motors is still fairly dependent upon components not manufactured in its own plants and spends as much as $20 million on purchase of same.

GMSA produces standard General Motors models and owns controlling interest in both Opel and Vauxhall which are assembled in South Africa. Besides normal assembly General Motors conducts substantial in-plant manufacture of bumpers, batteries, springs, body pressings, radiators, spark plugs, as well as stoves and refrigerators. It has supplied and probably will continue to supply parts (more or less standardized) to other assemblers. Recently General Motors has begun manufacture of Euclid loaders and has also turned out truck cabs and a variety of commercial bodies. The new engine plant, at Aloes, Port Elizabeth, most recent large expansion of GMSA operations in South Africa is estimated to have cost approximately $30 million and probably best symbolizes General Motor's faith in South Africa's future.

Despite the recent government-initiated curb on private sector spending which caused both Ford and South African Motor Assemblers and Distributors to lay off a small percentage of unskilled workers, General Motors has continued to advertise for new employees both skilled and unskilled. Until this recent government action, the labor force of the auto industry was estimated at 31,000. There is no reason to predict a general falling off of employment in the motor industry, but it is interesting to note that Minister of Labor, Trollip, was momentarily satisfied with the slow down in sales, simply because Ford and South African Motor Assemblers and Distributors were brought closer to the established job reservation ratios!

As expected General Motors has been one of the first large auto manufacturers to satisfy requirements for increased local content. It has been estimated that local content of General Motors cars and commercial vehicles ranges from 25-37% depending upon whether General Motors does the body and component pressings.

General growth of the motor industry during the boom years 1961-1965 is best exemplified by the retail sales figures for General Motors alone in 1962; from 1961-62 General Motors experienced a 47.3% increase in unit sales.

2. Ford Motor Company of South Africa (Pty) Ltd.: Ford Motor Company of South Africa is a wholly owned subsidiary of Ford Motor Company of Canada of which 76% is owned by Ford USA. It was established in South Africa as a distributorship in 1923 and since then has gone through a series of expansion programs. The original plant (1923) was the largest auto factory in South Africa with an area of 500,000 square feet. In 1929 a new $3 million plant was constructed and staff increased to 168. The largest single period of growth was in 1947 when an entirely new plant was built and employment reached 1,000. Since then, in 1962 a $6 million expansion program was begun at Struandale which established a parts and accessories division close to the main assembly plant. Following the trends towards self-sufficiency, Ford invested approximately $11 million in the construction of facilities to
provide for the manufacture and assembly of engines, a project which will ultimately increase the staff by 500 people.

The most recent estimate of total investment of Ford Motor Company in South Africa is $56 million. As is the case for all subsidiary activity in South Africa, large expansion programs such as Ford's are financed from three major sources: overseas Ford funds, loans from local institutions, and Rands retained from Ford profits in South Africa. Given a few figures, such as total investment in a subsidiary or even total sales, one is able to assess the role played by an individual company in a specific area of the economy. A more detailed explanation of methods of ranking according to pure economic importance will be given later.

In 1958 Ford employed 1800 workers at its Port Elizabeth plant and by mid 1965 has increased the work force to approximately 2700 in all its operations. The employment practices of Ford are perhaps illustrative of the entire industry. For example, since April, 1964, African labor has been doing assembly work under supervision of white managers, supervisors and technicians. Although such practices are in direct conflict with government job reservation ratios, the explanation is that "With no suitable White or Colored labor available for the job in adequate numbers, Ford clearly had no choice but to use Africans" (Footnote #1) A further indication of trends within an industry which has previously been covered by a white or colored work force is found in the present and projected staffing of the new Ford engine plant. Presently 35 whites are employed there (including overseas training personnel) along with 45 Africans. Ford predicts that the total staff of the plant will be 500 people, one-half or more of which will be Africans. The significance of this relative Africanization of an industrial operation will be stressed in a later section.

3. Chrysler South Africa (Pty) Ltd: - Chrysler South Africa is directly controlled by Chrysler International-Geneva (into which has been consolidated both Simca Auto and Simca Industries). Also of significance is the fact that Chrysler owns 40% of the voting shares in the Rootes group in London, which is also represented in South Africa (through Stanley Motors).

Although Chrysler has maintained a distributorship in South Africa since 1929, it is a more recent large investor there and is expanding rapidly to meet consumer demands. Its single most significant investment was a $34.8 million expansion program which began in 1964. Of this original amount $695,000 has been applied to the expansion of facilities near Capetown and the construction of a 300 acre plant near Johannesburg which will contain an assembly line, a large warehouse for parts, and areas for the manufacture of engines, transmissions and rear axles. Chrysler has estimated that approximately 2,000 workers will be employed in all its operations upon completion of the above mentioned plants and that the daily capacity of their assembly and manufacturing operations will be nearly 200 vehicles. Presently Chrysler South Africa employs 824 people, approximately 67% of whom are non-white.

#1 (financial Mail May 8, 1962)
Both Chrysler Airtemp Division and Mopar (the components division of Chrysler Motors) are manufacturing and assembling in South Africa. In its new vehicle plant there will be capacity for manufacture of commercial vehicle components such as engines, gearboxes and rear axles (all produced at the Witwatersrand plant) which will be fitted into both Valiant and Dodge D100 trucks.

Although Chrysler South Africa acknowledges its limited involvement in the motor industry (its annual sales account for only 4.4% of the 1964 total) it predicts that the eventual capacity of the new plant may reach 50,000 vehicles or more per year and in order to centralize operations, will move the entire organization to the Rand area (its old assembly plant is now located in Elsie's River, Cape Province). Another means of increasing its profits in South Africa will be the establishment of closer ties with the Rootes Group (London) through Stanley Motors which assembles in Natalspruit. Such moves will be almost inevitable if Chrysler, as a small timer, expects to meet its objective of only 15% of its cars (by weight) imported. Presently it imports approximately 65% of its cars by weight.

4. Other U.S. and Foreign Auto Manufacturers and Assemblers in South Africa:- Other smaller auto companies based in the U.S. have made a variety of agreements with existing companies in South Africa; a few assemble their own vehicles on a very small scale. For example, in Johannesburg, Stanley Motors (controlled by the Rootes Group in London) produces Hillman, Humber, Peugeot, Rover and Rambler autos. The South African Motor Assemblers and Distributors (SAMAD) assemble both Studebaker and Volkswagen cars and commercial vehicles. Presumably these assemblers operate under license from the parent U.S. company. Willys Africa, Ltd. produces its own vehicles independently as does International Harvester South Africa Ltd. (which markets both Commer and International). Although small operations, the two above companies are playing an active role in the industry and their effect on the economy shouldn’t be minimized.

The most significant recent activity of a foreign automobile company in South Africa is the expansion of Japanese auto and commercial vehicle manufacturing. Japanese commercial vehicles, second only in sales behind American companies, in the first three quarters of 1964, accounted for 30.55% of the market. Experts predict that as Japan becomes a more serious trading partner with South Africa its automobile production will increase to rival existing U.S., British and other interests.

5. U.S. Components Manufacturers: - As mentioned above there are nearly 200 independent component’s makers in South Africa. Perhaps one of the best examples of U.S.-South African cooperation in this field is the licensing agreement of Lectrolite Products of Johannesburg and Prestolite International of Toledo, Ohio. The manufacturing agreement with Prestolite calls for an initial investment of $68,000 for plant and machinery. The products, which will contain a minimum of 30% local content at inception (which will be increased 10% every year) will include generators, armatures, battery cables and other automotive components. These components will be installed in almost all U.S. vehicles produced in South Africa and are also being sold in the U.S.,
Holland, Canada, Denmark, and Finland in competition with local parts manufacturers. (Footnote #1) Along the same lines, Bosal Africa, a well known manufacturer of exhaust pipes and mufflers, exports its finished products to the U.S. and elsewhere. In fact in 1963 Bosal had a 75% share of the total South African exports of automobile components to the U.S.

Unfortunately there is a conspicuous lack of specific information and details on the companies covered in this section. Perhaps more concentrated research will provide a few new figures for amount of investment, development plans of individual companies, etc. but the material collected gives a rough idea of the extent and nature of U.S. auto companies' involvement in the industry.

III GENERAL EMPLOYMENT PRACTICES IN THE MOTOR INDUSTRY - The major areas which will be covered in this section are: 1) a breakdown of employment figures; 2) wage rates for the industry (and individual companies where available); 3) job reservation determination and its relatedness to the shortage of skilled manpower; 4) union organization and activity.

1. Employment: - According to the Statistical Yearbook of South Africa (1964) there were a total of 31,498 workers in the motor assembly industry and directly related operations in 1961-62 as compared with 27,509 in 1955-56. The breakdown for the two years in various sections of the industry is as follows:

Table III

<table>
<thead>
<tr>
<th>Census Year</th>
<th>Total Employees</th>
<th>Employees</th>
<th>Africans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955-56</td>
<td>27,509</td>
<td>11,818</td>
<td>3,941</td>
</tr>
<tr>
<td>1961-62</td>
<td>31,498</td>
<td>13,312</td>
<td>6,246</td>
</tr>
</tbody>
</table>

Motor Industry-Manufacture of Rubber Products

<table>
<thead>
<tr>
<th>Census Year</th>
<th>Total Employees</th>
<th>Employees</th>
<th>Africans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955-56</td>
<td>7,392</td>
<td>3,234</td>
<td>416</td>
</tr>
<tr>
<td>1961-62</td>
<td>7,256</td>
<td>3,231</td>
<td>499</td>
</tr>
</tbody>
</table>

Motor Industry-Manufacture of Electrical Equipment

<table>
<thead>
<tr>
<th>Census Year</th>
<th>Total Employees</th>
<th>Employees</th>
<th>Africans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955-56</td>
<td>1,126</td>
<td>271</td>
<td>93</td>
</tr>
<tr>
<td>1961-62</td>
<td>1,025</td>
<td>298</td>
<td>76</td>
</tr>
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</table>

Motor Industry-Manufacture of Seat Covers

<table>
<thead>
<tr>
<th>Census Year</th>
<th>Total Employees</th>
<th>Employees</th>
<th>Africans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955-56</td>
<td>224</td>
<td>71</td>
<td>47</td>
</tr>
<tr>
<td>1961-62</td>
<td>304</td>
<td>62</td>
<td>95</td>
</tr>
</tbody>
</table>

#1 (Financial Mail February 21, 1964; South Africa Digest August, 1965)
Motor Industry—Manufacture of Electrical Products

<table>
<thead>
<tr>
<th>Year</th>
<th>Total All Races</th>
<th>Total Whites</th>
<th>Total Coloreds</th>
<th>Total Africans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955-56</td>
<td>331</td>
<td>96</td>
<td>44</td>
<td>187</td>
</tr>
<tr>
<td>1961-62</td>
<td>673</td>
<td>170</td>
<td>111</td>
<td>391</td>
</tr>
</tbody>
</table>

Motor Industry—Manufacture and Repair of Vehicles

<table>
<thead>
<tr>
<th>Year</th>
<th>Total All Races</th>
<th>Total Whites</th>
<th>Total Coloreds</th>
<th>Total Africans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955-56</td>
<td>18,436</td>
<td>8,146</td>
<td>3,341</td>
<td>6,752</td>
</tr>
<tr>
<td>1961-62</td>
<td>22,240</td>
<td>9,551</td>
<td>5,465</td>
<td>6,911</td>
</tr>
</tbody>
</table>

Added to these figures are those pertaining to related industries and services: e.g., the retail, servicing, repair and components manufacturing. By the beginning of March, 1963, these establishments were reported as employing 86,764 people of all races as compared to 77,687 in 1962. In 1963 alone 3,500 were added to the manufacturing trades in the industry, 2,000 in the manufacturing section, excluding the newly employed 3,893 assembly plant workers. (Footnote #1)

2. Wage Rates for the Industry:—Average salaries and wages for the manufacturing industry in general in 1963 were $2,881 for Whites, $924.00 for Colored and Indians, and $590.00 for Africans. (According to the Statistical Yearbook of South Africa, average wages paid during 1961-62 were $2,655.00 for Whites, $537.00 for Africans and $826.00 for Coloreds and Indians.) A minimum wage rate is determined first in an Industrial Agreement entered into by the industry and the government. The Wage Board is thereafter bound to make new determinations at least every five years or when deemed desirable, depending upon the degree of labor organization.

Previously, weekly salaries for all employees have included a Cost of Living Allowance, which supplements the base wage and fluctuates with the Cost of Living Index. Most recently, the trend has been to consolidate Cost of Living Allowance and wage rate, so that only a single minimum wage, as established by the Wage Board, applies.

The mechanics of wage and salary determinations become quite complicated when the employment policies of individual companies are considered. For example, Chrysler Corporation maintains that its South African subsidiary pays its non-white workers (67% of their total work force) more than 20% higher than the traditionally demanded $2.80 per day. Furthermore, they state that "South African law establishes a cost of living allowance scale which ranges from 34-60% of the base wage, depending on the job classification (classifications in this case ranging from Rate 11—unskilled laborers to Rates 7 and 8—repetitive operating of machinery, etc). Chrysler South Africa pays the maximum 60% to all classifications." (Footnote #2) However, #1 (Industrial Review of Africa, June 1964.)

#2 (From a letter to Stringfellow Barr from Chrysler Corporation in the U.S.)
Chrysler's wage policies are not so liberal when one considers that the non-whites mentioned may very easily comprise a large number of Colored and Indians, both groups of which usually receive higher wages regardless of classification. Secondly, the large gap between white and non-white wages, despite the reasons given for such a gap, still tend to lie below the established poverty datum line. In any case, it is important to realize that most large companies in the motor industry do pay slightly above the minimum wages determined by the South African government. However these wages still hardly support an average-sized African family.

Average wages paid in the industry are summarized in the following tables (all of which are drawn from the South African Statistical Yearbook-1964):

Table IV

<table>
<thead>
<tr>
<th>Year</th>
<th>Hours All Areas Per Week</th>
<th>Wage *COLA</th>
<th>Wage Rate</th>
<th>*COLA Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Port Elizabeth</td>
<td>Pretoria</td>
<td></td>
</tr>
<tr>
<td>1952</td>
<td>46</td>
<td>**R13.80</td>
<td>5.55</td>
<td>14.95</td>
</tr>
<tr>
<td>1962</td>
<td>46</td>
<td>23.00</td>
<td>6.26</td>
<td>23.00</td>
</tr>
<tr>
<td>1963</td>
<td>46</td>
<td>23.00</td>
<td>6.45</td>
<td>23.00</td>
</tr>
</tbody>
</table>

New Motor Vehicle Assemblers

<table>
<thead>
<tr>
<th>Year</th>
<th>Hours All Areas Per Week</th>
<th>Wage *COLA</th>
<th>Wage Rate</th>
<th>*COLA Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>46</td>
<td>**R6.90</td>
<td>2.93</td>
<td>10.35</td>
</tr>
<tr>
<td>1962</td>
<td>46</td>
<td>11.50</td>
<td>5.65</td>
<td>11.50</td>
</tr>
<tr>
<td>1963</td>
<td>46</td>
<td>11.50</td>
<td>5.65</td>
<td>11.50</td>
</tr>
</tbody>
</table>

*Cost of Living Allowance. **Rand - $1.40.

Within the classifications covered by these figures, no distinction is as yet made between races and it is quite possible that a few Colored and Indians and, in some companies, Africans are doing these jobs after the company has either gained exemptions from job reservation determinations (see below) or simply disregarded these determinations. Where this is true the non-white workers are being paid the "rate for the job" (i.e., the rate established for white workers according to the classification). Existing white trade unions in South Africa demand that the "rate for the job" be established as policy, simply to protect their members from undercutting and perhaps secondarily to maintain wage levels which will benefit those non-whites who are able to advance to skilled or semi-skilled classifications. To be more specific: "Both the Wage Act and the Industrial Conciliation Act specifically state that when wage rates and conditions of employment are determined 'no differentiation' (The following is used primarily as an example of the mechanics of a government determination - no new determinations have been made which would formally include African laborers.)
or discrimination on the basis of color shall be made". Thus, the principle of equal work for equal pay is the "rate for the job". However, "Equal pay for equal work, when not coupled with equality of opportunity to acquire skills and obtain employment, discriminates against people of color." (Footnote #)

Table V

(Cape Peninsula)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mechanic Whites</th>
<th>Spraypainter</th>
<th>Laborer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Whites</td>
<td>Coloreds</td>
</tr>
<tr>
<td>1957</td>
<td>R32.87</td>
<td>R35.01</td>
<td>R30.70</td>
</tr>
<tr>
<td>1958</td>
<td>32.92</td>
<td>33.17</td>
<td>31.75</td>
</tr>
<tr>
<td>1959</td>
<td>34.21</td>
<td>34.60</td>
<td>30.73</td>
</tr>
</tbody>
</table>

(Durban)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mechanic Whites</th>
<th>Spraypainter</th>
<th>Laborer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Whites</td>
<td>Coloreds</td>
</tr>
<tr>
<td>1957</td>
<td>34.46</td>
<td>36.98</td>
<td>34.96</td>
</tr>
<tr>
<td>1958</td>
<td>35.19</td>
<td>36.13</td>
<td>32.77</td>
</tr>
<tr>
<td>1959</td>
<td>34.93</td>
<td>37.14</td>
<td>34.84</td>
</tr>
</tbody>
</table>

(Port Elizabeth) (Whites Only)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mechanic Whites</th>
<th>Spraypainter</th>
<th>Laborer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R32.77</td>
<td>33.11</td>
<td>8.80</td>
</tr>
<tr>
<td>1958</td>
<td>32.77</td>
<td>33.11</td>
<td>----</td>
</tr>
<tr>
<td>1959</td>
<td>33.04</td>
<td>33.78</td>
<td>8.68</td>
</tr>
</tbody>
</table>

(Witwatersrand) (Whites Only)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mechanic Whites</th>
<th>Spraypainter</th>
<th>Laborer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>37.26</td>
<td>39.89</td>
<td>7.49</td>
</tr>
<tr>
<td>1958</td>
<td>37.65</td>
<td>40.79</td>
<td>7.88</td>
</tr>
<tr>
<td>1959</td>
<td>38.90</td>
<td>41.25</td>
<td>8.45</td>
</tr>
</tbody>
</table>

Table V affords a good example of wage and salary discrimination which the "rate for the job" policy is attempting to forestall in the more highly skilled employment classifications. Colored and white spraypainters in the Cape Peninsula, both of whom are doing the same job, are being paid appreciably different wages. The same distinction can be made between Colored and African laborers in any part of South Africa. The dangers inherent in such a policy are apparent: the government benefits by keeping the African economically depressed and the company obtains the same level of skill from non-whites but is able to pay lower wages to them.

Table VI

Average Annual Earnings

Two methods have been followed to determine these figures;—the results, for

#1 (Page 13 Alexander: Job Reservation and the Trade Unions' Enterprise, Capetown, 1959.)
Africans, are at variance with each other for a number of reasons.

1. Dividing the total number of employees by race classification into total number of dollars paid annually, the following figures are arrived at:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>WHITES</th>
<th>COLOREDS AND INDIANS</th>
<th>AFRICANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-62</td>
<td>$2,670.00</td>
<td>$882.00</td>
<td>$686.00</td>
</tr>
</tbody>
</table>

2. Multiplication of average weekly earnings by number of weeks worked:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>WHITES</th>
<th>COLOREDS AND INDIANS</th>
<th>AFRICANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-62</td>
<td>$2,630.00</td>
<td>$930.00</td>
<td>$639.00</td>
</tr>
</tbody>
</table>

Calculations such as these are more unreliable than those in Table V, simply because it is virtually impossible to determine averages for Colored labor, which is, in some ways, integrated into all sections of the industry; the African wages are generally higher than those quoted above for manufacturing as a whole because only a few higher wage earners (who have been able to take over skilled jobs) will throw off the average appreciably.

Since individual companies are unwilling to indicate in detail wages paid to the various races employed we must rely solely upon officially released figures. Besides the occasional explanations, the tables above should speak for themselves.

Wage policies of motor assemblers now expanding to the border industries are naturally atypical. A reliable source has stated that such a border industry pays newly engaged Africans $9.18 per week and at present the more skilled ones are paid $15.00 to $17.00. The firm has only just commenced operating and Africans will be able to progress further than they have so far because the firm is situated in a border area.

3. Job Reservation Determinations: - The largest single problem facing secondary industry in South Africa is a severe shortage of skilled labor. During the boom years, apprenticeship and company training programs have failed to attract sufficient numbers of white South African youth to fill the expanding, non-managerial job market. Employment gaps can be filled in three possible ways: immigration of trained or trainable personnel, training of South African whites, and/or the training of non-whites.

So far, immigration has failed to satisfy the needs of the industry. Secondly, very often South African Whites are loath to take high-paying blue collar positions when managerial posts are rapidly increasing. The third alternative, that of training non-whites for skilled and semi-skilled jobs is the most logical one but also the most difficult to implement. Generally, employers are unwilling to revise their training programs in order to accommodate promising Africans, and apprenticeship regulations for the motor industry (established by the government) include unrealistically high education requirements, e.g. a minimum educational requirement of Standard 6 or 7. For example,
from 1956-58 only 1,056 non-whites were apprenticed in all industries and trades in South Africa as compared to 19,576 Whites. (Footnote #1) In other words, under existing regulations and practice, it is extremely difficult for an African or Colored to qualify for skilled and semi-skilled posts.

The second obstacle to advancement of non-whites within the industry is job determination, which was established for the Motor Industry under the Industrial Conciliation Act as amended October 16, 1964. Under this Determination, non-whites are forbidden to perform supervisory and control work, welding and/or brazing, etc. Part (c) of the Determination states that "in the area comprising the Republic of South Africa no employer in the Motor Assembly Industry shall replace any White person who is in his employ... in any work in the said industry by an employee who is not a White person." (Footnote #2) Other sections of the Determination require that: posts previously held by Whites and then vacated must be refilled only with Whites and, in all areas of South Africa, no Coloreds shall be replaced by African employees. The final section sets down a minimum percentage of Whites to be employed in the following magisterial districts: Port Elizabeth: 45%; Uitenhage: 65%; Bellville: 45%; East London: 25%; Durban: 20%; Witwatersrand area: 25%.

The Southern Africa Financial Mail has best stated reaction to the Industrial Tribunal's Determination: "The industry, currently spending $100 million on expansion, and finding itself working under extreme pressure due to an increasing shortage of labor of all races has found from even a cursory glance that compliance with the Tribunal's dictates will be impossible unless exemptions are granted." (Footnote #3) Often as many as 75% of the requests for exemptions are granted, but strict adherence by the government to the Determination is just as often the rule. Obviously, on this level individual companies within the motor assembly industry cannot be held responsible for not upgrading and training their African employees. However, they will and do accept job reservation when they are no longer pressed by a labor shortage, and use it as an excuse for their unequal job opportunities.

It should be noted that there is, as yet, no job reservation in the motor components industry, which, as described above, accounts for a much larger proportion of total employment of the industry as a whole than does the motor assembly section.

4. **Trade Unionism in the Motor Industry:** As will be shown in the separate paper on labor in South Africa, Africans are not allowed to either become members of registered unions or to register their own trade unions. In the past few years there have been some interesting developments in the union movement specifically related to the motor industry. Originally affiliated with Trade Union Council of South Africa as a single 'mixed' union was the Motor Industry Employees Union of South Africa. Afrikaner Nationalist workers have taken advantage of the dissension caused in the ranks of the

#1 (Alexander: *Job Reservation and the Trade Unions' Enterprise*, Capetown, 1959.)

#2 (South African Government Gazette, No. R 1597.)

#3 (Financial Mail October 23, 1964.)
racially mixed unions to recruit from the mixed and form their own. For example, out of the Motor Industry Employees Union has been formed the Blanke Motorwerkersvereniging, which will undoubtedly affiliate with the Nationalist Koördinerende Raad Van SA Vakverenigings.

In reaction to this move the Motor Industry Employees Union sought to preserve their own union by amending their constitution so as to exclude Coloreds and Indians from membership. Naturally a large number of non-whites previously in the larger union have been displaced, but have moved quickly to form their own Motor Industry Colored Workers Union which continues to maintain good relations with the parent organization and still participates in its pension and health funds although being structurally independent from it. When it is eventually fully reconstituted and re-registered, the MICWU will be extended to all parts of South Africa so as to include all ex-members of the parent body. The only large fully African coordinating body including motor industry workers under its umbrella is the Federation of Free African Trade Unions (FOFATUSA). FOFATUSA maintains some liaison with TUCSA and presumably has had a certain amount of success in organizing in the motor industry through the African Motor Industry Workers Union. The only other quasi-union organization in the industry is the Motor Industry Staff Association, which is unaffiliated.

Clearly, the African workers in the Motor Industry have little bargaining power except through the barely paternalistic Regional and District Native Labor Committees or loosely constituted works committees. They are forbidden to strike and inevitably must accept whatever policies are handed down to them; the industry obviously benefits from this arrangement and prefers to see the potential power of organized African workers restricted.
1. The Industrial Review of Africa, numerous issues (individual citations given in the body of the paper)

2. The Southern Africa Financial Mail

3. Numerous parent company annual reports and limited correspondence with United States executives

4. The South African Economy, DH Houghton, 1964

5. Business Report, issued by the South African Consulate, U.S.A.

6. The South African Digest, also available through the SA Consulate

I. GENERAL BACKGROUND

An inspection of the rubber industry in South Africa is basic to any study of the South African economy for two major reasons: (1) it is of strategic importance to a country which until recently, has depended almost entirely upon imports of raw and synthetic rubber and; (2) the industry is dominated by U.S. rubber companies. South Africa is the world's tenth largest rubber consumer and currently spends $22.4 million per year on importing rubber requirements for tires and other rubber products. Of the amount imported about half is natural and half is synthetic. From 1957-62 the rubber market declined fractionally in South Africa due to a prolonged ebb in tire needs but now, with the growing economy, the rubber market has expanded; eventually it is expected to reach an annual growth of 4-5% per year. However, the consumption of synthetic rubber produced domestically should continue to grow by 8-9%. More specifically, "South Africa imported 46,193 tons of unmanufactured rubber in 1963, the vast bulk of natural coming from Malaya and of the synthetic from the US; rubber comprised 1.1% of the total value of imports in 1963......it is expected that the Republic will be able to meet its needs for general purpose rubber in 1966". The rubber industry has responded to both the strategic and economic needs of South Africa by participating with the Industrial Development Corporation in the construction of a $9.8 million synthetic rubber plant at Sasolburg. The plant, which only recently began to function, produces a synthetic rubber based upon Butadiene-Styrene which is derived from coal. This operation represents only a small extension of the large SASOL coal-products industrial complex. The Synthetic Rubber Company (Pty) Ltd. of South Africa will eventually consume an annual value of raw materials of $7 million, 80% of which will be spent in South Africa. Secondly, the new plant exemplifies the trend towards self-sufficiency in both construction materials and skilled labor: over 60% of the fixed capital investment in the plant has been covered by local materials and labor. The strategic value of this plant cannot be underestimated since "The future of natural rubber supply is uncertain, coming from countries hostile to South Africa. This has resulted in a top-level decision to launch what has been described as a 'strategic' industry, despite the present low price of imported synthetic rubber". For example, in 1964 the average world price of synthetic rubber per pound was 15c and the Synthetic Rubber Company price was over 20c per pound. Experts predict that until the price is stabilized, probably the smaller rubber products plants will continue to import natural rubber which is still below the Synthetic Rubber Company price.

footnote: 1. Malaya has recently announced a full embargo on all rubber shipments to South Africa
3. Financial Mail December 31, 1964
The initial financing of the plant represents the most prevalent, and also
the most significant trend in cooperation between subsidiaries of foreign
companies, locally owned industries and finance houses, and government
financial interests. Major impetus for the production of synthetic rubber
locally came from the Industrial Development Corporation. The Polymer
Organization Ltd. of Canada drew up the original plans for and designed the
new plant and now has taken equity interest in the authorized share capital
of the company. Finally, engineering and construction contracts were signed
by the Fluor Corporation, Inc. of Los Angeles, USA. US and British tire
manufacturers, although aware of the obvious economic unfeasibility of such
an operation at this time in South Africa's development, have participated
fully in the financing and planning of the new plant. Firestone, General Tire
& Rubber, Goodyear, and Dunlop are active shareholders in the new company
along with Polysar Nederland, Federale Volksbelegings Beperk, Bonusbelegings
Korp van SA and the IDC. Thus Afrikaner capital and the profits gained from
US rubber companies in South Africa have joined together to develop a com-
pany which is strategic both in the sense of insuring a steady supply of
rubber not dependent upon hostile outside sources and in providing a durable
rubber which is a basic requirement of both the internal and external defense
forces of the country. Although the rubber and rubber products industry of
South Africa is relatively small in comparison to other sections of the
manufacturing industry it does bill more than $91 million annually and is of
tremendous strategic importance. Its real impact on the economy will be
studied through the activities and development plans of the individual
companies below.

II SUBSIDIARIES OF US RUBBER PRODUCTS MANUFACTURERS IN SOUTH AFRICA

1. General Tire and Rubber Company (SA) Ltd.: GT and R is atypical
in that it is not a wholly owned subsidiary but instead has become a public
company. As a public company it issues shares on the open market and is
listed on the Johannesburg Stock Exchange. (As of 1963 its current assets
were listed as $3,600,000 and its gross trading profits as $2 million.) All
of the other rubber companies are wholly owned subsidiaries, i.e. they sell
no shares and are fully controlled by the parent company. Structurally, the
GT & R Company is connected with the company of the same name in Akron, Ohio
only by a technical service agreement by which the original parent company
'provides the necessary technical advice for the manufacture of quality pro-
ducts'. However, a number of US citizens sit on the Board of Directors of
the company and undoubtedly hold a significant amount of the authorized share
capital. In 1964 the authorized share capital of the company was stated as
$2.8 million which has been broken up into shares of different values to be sold
on the Johannesburg Stock Exchange. The Company was registered in 1947 to
manufacture rubber products such as tires, tubes, accessories, and repair
materials. Its main factory is on a 35 acre site near Port Elizabeth and has
been in production since 1949. Its sales franchise extends from South Africa
to Zambia, Malawi and East Africa. Significantly, tires and tubes are
produced in South Africa by the GT & R Company under agreement not with the
General Tire & Rubber Company USA but instead with the US Rubber Company.
In other words, a number of US companies have interest, both direct and in-
direct, in the operations of the South African public company.

The GT & R Company (SA) has a $588,000 share in the $9.8 million capital of the Synthetic Rubber Company mentioned above. A great deal of speculation has been generated about the future activities of South African companies which are now wholly owned subsidiaries of foreign operations. One distinct possibility for the future is that companies such as Firestone and Goodyear will change their financial status from private to public (as GT & R Co.) and still attempt to maintain control through ownership of a majority of significant amount of the authorized share capital. Perhaps, as it becomes less and less profitable for foreign companies to operate through wholly-owned subsidiaries (because imports of US manufactured products are increasingly reduced) they may very well seek more profitable ways in which to continue in South Africa.

2. Goodyear Tire and Rubber Company (SA) (Pty) Ltd.: Goodyear South Africa is controlled by the Goodyear International Corporation of Akron, Ohio. It was first established as a distributorship in South Africa in 1913 but didn't begin actual production of tires, etc. until 1947. The original Goodyear plant at Uitenhage contained 240,000 square feet of floor space on a 67 acre site. Since then there have been numerous additions, bringing total square footage to 542,810, and making it one of Goodyear's largest overseas plants. The Uitenhage plant produces passenger car, truck, and earthmover tires, inner tubes and a variety of industrial products including V-belts, conveyor belting, hose and tank lining. In recent years, Goodyear has expanded both its sales and warehouse facilities and its manufacturing operations in Uitenhage. New office and warehouse blocks have been opened in Capetown, Bloemfontein, and Johannesburg and in 1964 a $7 million expansion program was announced for the Tire and Industrial Products Divisions. The plant facilities of Goodyear South Africa employ more than 1600 persons both in factory, offices and the field. Their general wage level for factory workers averages out to be about 70c an hour for Tire and Industrial Products Divisions. (No breakdown of wages by racial groups was given by the company and were not obtainable from any sources).

3. Firestone South Africa (Pty) Ltd.: Firestone South Africa was first registered as a distributorship in 1930 and began production of tires in its Port Elizabeth plant in 1936. The initial floor space soon proved too small to meet the tire demands of South Africa both during the second World War and thereafter. In 1940 the first of four expansion programs was started when a new wing was added to the Port Elizabeth factory. A second wing was added in 1945, followed by a major expansion program in 1952 when a new wing, separate battery press room and an office block were added at a cost of $1.4 million. A final large investment of $1.4 million was made in 1955 in order to construct two additional wings. This extension increased the daily capacity of the plant to more than 3,000 tires. To summarize the series of investments both in land and plant which comprise the total capital outlay of Firestone's South African operation:
Expansion/Purchase

- 7,000 Morgen of land
- Plant completed (floor space 140,000 sq. ft.)
- 39,000 sq. ft. added
- 2.6 Morgen of land purch'd
- 29,600 sq. ft. added
- 1 Morgen of land purch'd
- 68,586 sq. ft. added
- 68,586 sq. ft. added
- 4,680 sq. ft. added
- 48,600 sq. ft. added

Cost/Investment

- R 1,500
- R 442,000
- R 170,000
- R 8,400
- R 288,000
- R 200
- R 800,000
- R 1,000,000
- R 186,000
- R 457,000

Total sq. ft. (approx.) 420,000 Total Investment¹ R 2,334,100 or $ 3,267,740

* R=Rand=$1.40

More recently Firestone announced the opening of a $518,000 earthmover tire plant which represents the first part of a large $7 million expansion program on which it has embarked in South Africa.² The manufacture of heavy tires such as these successfully closes the gap in South Africa's tire manufacturing facilities and a new, specialized operation is added to Firestone's industrial complex which includes tire and tube plants, industrial rubber products plants and a rubber reclaiming plant.

Firestone summarizes its salaries, wages and personnel as follows:³

Table II

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ANNUAL WAGES</th>
<th># OF EMPLOYEES</th>
<th>ANNUAL SALARIES</th>
<th># OF EMPLOYEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>R1,010,170</td>
<td>996</td>
<td>R 750,542</td>
<td>387</td>
</tr>
<tr>
<td>1961-62</td>
<td>972,913</td>
<td>962</td>
<td>744,945</td>
<td>397</td>
</tr>
<tr>
<td>1962-63</td>
<td>1,035,129</td>
<td>941</td>
<td>749,358</td>
<td>396</td>
</tr>
<tr>
<td>1963-64</td>
<td>1,179,401</td>
<td>987</td>
<td>826,113</td>
<td>397</td>
</tr>
</tbody>
</table>

From all evidence available, the three rubber companies mentioned above: Firestone, General Tire & Rubber, and Goodyear, along with Dunlop Rubber Co. (of the United Kingdom) have predominance in the tire and rubber products field in South Africa. The latter three are generally larger operations than General Tire & Rubber Company.

1. This figure does not include smaller, but continuous investment over the years.


3. Again wages have not been broken down by racial groups, and simply give an indication of the average amount spent annually on wages and salaries by Firestone, South Africa. Perhaps using industry-wide figures which will be quoted later the above will become more significant.
III. GENERAL LABOR PRACTICES IN THE RUBBER INDUSTRY

1. Employment: According to the Statistical Year Book of South Africa, 1961, a total of 4,017 people of all races were employed in the rubber industry in 1961-62. Comparative figures for different racial groups from 1961-62 were as follows:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ALL RACES</th>
<th>WHITES</th>
<th>COLOREDS</th>
<th>ASIANS</th>
<th>AFRICANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957-58</td>
<td>4,069</td>
<td>782</td>
<td>286</td>
<td>392</td>
<td>2,689</td>
</tr>
<tr>
<td>1958-59</td>
<td>4,020</td>
<td>807</td>
<td>173</td>
<td>370</td>
<td>2,670</td>
</tr>
<tr>
<td>1959-60</td>
<td>3,976</td>
<td>836</td>
<td>172</td>
<td>325</td>
<td>2,643</td>
</tr>
<tr>
<td>1960-61</td>
<td>4,998</td>
<td>1,023</td>
<td>198</td>
<td>493</td>
<td>3,284</td>
</tr>
<tr>
<td>1961-62</td>
<td>4,983</td>
<td>891</td>
<td>212</td>
<td>528</td>
<td>3,352</td>
</tr>
</tbody>
</table>

2. Wage Rates:

<table>
<thead>
<tr>
<th>TABLE IV</th>
<th>MINIMUM WAGE RATES &amp; MAXIMUM HOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOR MAN</td>
<td>WAGE RATE (Port Eliz. area) COLA *</td>
</tr>
<tr>
<td>YEAR</td>
<td>HOURS (per week)</td>
</tr>
<tr>
<td>----------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>1959</td>
<td>46</td>
</tr>
<tr>
<td>1960</td>
<td>46</td>
</tr>
<tr>
<td>1961</td>
<td>46</td>
</tr>
<tr>
<td>1962</td>
<td>46</td>
</tr>
<tr>
<td>1963</td>
<td>46</td>
</tr>
</tbody>
</table>

*COLA = Cost of Living Allowance

In 1963, a new Wage Board determination was handed down which both consolidated the Cost of Living Allowance and increased slightly the final wage of all workers. Generally, the minimum wage rates established for non-whites in the rubber industry are appreciably lower than those in the motor or metal industries, for example. Since a detailed wage determination for the motor assembly and manufacturing industry has not been made recently, it is difficult to compare wages paid to similar skill classifications.

<table>
<thead>
<tr>
<th>TABLE V</th>
<th>AVERAGE ANNUAL EARNINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEAR</td>
<td>WHITES</td>
</tr>
<tr>
<td>1959-60</td>
<td>R2,080</td>
</tr>
<tr>
<td>1960-61</td>
<td>2,017</td>
</tr>
<tr>
<td>1961-62</td>
<td>2,450</td>
</tr>
</tbody>
</table>

1. No more substantive or up-to-date figures are available and if the following are somewhat inaccurate, they at least give a comparative picture of the numbers in different racial groups employed.
Very little information is available, other than through the Statistical Year Book of South Africa on the real wages paid to the above groups. The figures in Table V represent only calculations made from figures already given.

3. Job Reservation Determinations: So far there have been no Industrial Tribunal rulings setting down job reservation determinations for the Rubber industry. However, as already explained in the section on the motor industry, the "rate for the job" applies to skilled and semi-skilled positions and undoubtedly discriminates effectively against non-whites in the rubber industry. The same qualifications which govern the apprenticeship programs in the motor industry apply also to the rubber industry. In other words, non-whites, and particularly Africans, are very rarely able to get the kind of formal training, either through apprenticeship or company training programs, which would qualify them for higher paying employment positions.

4. Trade Unionism in the Rubber Industry: The same regulations regarding union activity among non-whites (especially Africans) apply to all sections of the manufacturing industry, including the rubber products industry. The Trades Unions Council of South Africa (TUCSA) has as its affiliate the Durban Rubber Industrial Union which has been classified as "mixed" (i.e., Coloreds, Indians, and whites continue to work together in a single union structure, although very often they are pressured, either by the government or rival white trade unions to exclude their non-white members, forcing them to form a separate branch.) Affiliated with the Federation of Free African Trade Unions (FOFATUSA) is the African Rubber, Plastic and Allied Trades Union; the loosely formed Rubber & Cable Workers Union of Pietermaritzburg has maintained an affiliate position with the South African Congress of Trade Unions (SACTU). It is virtually impossible to ascertain either the effectiveness of the non-registered African trade unions in organizing in industry or the relationship between such organizations and management.