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SOUTH AFRICA

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON AFRICAN AFFAIRS

OF THE

COMMITTEE ON FOREIGN RELATIONS

UNITED STATES SENATE

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

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

SEPTEMBER 8, 9, 16, 17, 22, 23, 29, AND 30, 1976



Printed for the use of the Committee on Foreign Relations

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SOUTH AFRICA

U.S. Policy and the Role of U.S. Corporations

WEDNESDAY, SEPTEMBER 8, 1976

UNITED STATES SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS,
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 4221, Dirksen Senate Office Building, Hon. Dick Clark (chairman of the subcommittee) presiding.

Present: Senators Clark, Percy, and Biden.

Senator CLARK. The hearing will come to order.

OPENING STATEMENT

When the Subcommittee on African Affairs first announced its intention last June to hold hearings on South Africa, we stated that our objectives would be to review the nature of South African society, the extent and impact of American investment there and the history and current status of U.S. policy toward South Africa. Events in southern Africa over the past 8 weeks have stressed the importance and urgency of such hearings.

The continuing tension and the growing potential for international conflict are matters of great concern to the United States. The past 2 months have seen a buildup of forces, first along the Rhodesia-Mozambique border and more recently along Rhodesia's borders with Botswana and Zambia. Nationalist activities from Mozambique have brought reprisals by Rhodesian troops from across the border. In Namibia, efforts to develop an approach to a transfer of power from South Africa to the people of the territory have failed to satisfy the conditions set by the U.N. Security Council. As a result, South Africa faces action from the Security Council. It also must deal with continuing nationalist guerrilla activity in Namibia itself.

Responding to these events, the United States has begun to take an active diplomatic role in southern Africa for the first time. For 8 years, U.S. policy has been marked notably by a lack of interest in moves by the black African states to bring an end to racial inequality in southern Africa. Recently, however, Secretary of State Kissinger has embarked on a policy of active U.S. involvement in efforts to negotiate settlements in both Namibia and Rhodesia. The Secretary, however, is concerned about the possibility that tension in the area, if allowed to

continue, will lead to direct intervention from outside forces, as happened in Angola. We welcome the Secretary's efforts in this area and we encourage his efforts to negotiate in close cooperation with the leaders of both black and white states in Africa, a peaceful transition to black majority rule in Namibia and Rhodesia. At the same time, we think that in developing its new approach to Africa, the United States must view events in southern Africa in their full context. We are concerned that in concentrating on developments in Namibia and Rhodesia, and in working with the South African Government to affect settlements there, the United States may ignore what we see as the real heart of problems in southern Africa—the racial policies of South Africa itself.

The riots in South Africa over the past 3 months have demonstrated that the blacks, composing three-quarters of the country's population, are unwilling to submit without protest to continued discrimination at the hands of minority white government. They have demonstrated the essential instability of a society that denies political rights, social equality or economic opportunity to the majority of its population. Until South Africa moves meaningfully to reverse its apartheid policies separating the race, there is little likelihood that stability can be achieved in southern Africa.

But our interest in the situation in South Africa is not limited to concerns about stability. Our fundamental concern is humanitarian. South African blacks are being denied the right to citizenship in their own land; and they are being forced to live in crowded and inadequate homes and are prevented from either living or working at levels approaching those accessible to the white population.

Our concern is accentuated by the extent of our own involvement in South Africa. One aspect of our involvement is diplomatic—through our participation in votes at the United Nations on issues relating to South Africa, as a member of the International Monetary Fund which recently voted a line of credit to South Africa and in our relations with the black states in Africa which long considered South Africa the key obstacle in the struggle for human rights in southern Africa.

But perhaps the major aspect of our involvement is economic. There are more than 300 U.S. companies—many of them the best known in the United States—operating subsidiaries in South Africa. An additional 6,000 do business there on an agency basis. Total U.S. investment in South Africa is estimated at greater than $1.7 billion. It represents 40 percent of the total U.S. investment in Africa. In addition, we do $1.3 billion in sales to South Africa—sales which yield the United States a favorable trade balance of $460 million annually. And U.S. banks have loaned South Africa hundreds of millions of dollars. That is our responsibility in South Africa.

American shareholders have profited from our investment in South Africa. The return on U.S. investment has been good. In the past few years, return on manufacturing operations in South Africa has run about 16 percent compared with about 13 percent averaged in other countries of the world.

As a government, we are receiving taxes on this investment, and through the Export-Import Bank, we are encouraging further trade with South Africa by guaranteeing loans. Because we benefit from

our business involvement, we have a responsibility to review its impact. Some have expressed concern that our economic stake in South Africa affects our policy there. In the past 8 years, it is true that most companies doing business in South Africa have benefited from our policy.

There is greater question as to the degree to which our business involvement has affected our diplomatic initiatives in southern Africa, it seems appropriate for us to review this aspect of the U.S. relationship to South Africa to try to assess how it may be influenced by the current situation, and to determine the role which U.S. business in South Africa might play in U.S. policy toward that country.

HEARING OBJECTIVES

These then are our objectives in these hearings: First, we would like to review the current situation. In the first 2 days of hearings, we have asked witnesses to provide a profile of South Africa and to describe the implications of recent events for both the conduct of business and for U.S. policy. Second, we wish to review U.S. policy. We will spend 1 day reviewing the roots of U.S. policy in southern Africa and examining the direction it may be taking.

Third, we will review the nature and role of U.S. business in South Africa in an effort to determine whether it is consonant with U.S. policy. We will be hearing from a number of companies testifying on various aspects of their business activities in South Africa. We will be asking them for information on their operations in South Africa, their sales and marketing policies, their employment practices, their plans for new investment and transfer of technology, and for their policies on loans.

We will also be asking for their perspective on the current situation, the role U.S. companies can play in South Africa and how U.S. policy might relate to this role.

A final objective of the hearing will be to review with State Department representatives its policies toward South Africa. We are interested in exploring the role U.S. policy has had in influencing the conduct of U.S. companies in South Africa. We would also like to discuss whether the United States can or should be making greater efforts to influence business operations. There is a wide variety of options available to U.S. policymakers. The U.S. Government could remove tax credits for companies making new investments in South Africa, thereby imposing a virtual moratorium on new investment there. It could remove all tax credits, forcing at least some companies to withdraw. It might, on the other hand, encourage companies to remain in South Africa, but to adopt more progressive labor policies and practices, or it could encourage an expansion of investment by removing current restrictions on commercial promotion and Export-Import Bank facilities.

We would like to stress at the outset of these hearings that the subcommittee has made every effort to construct a balanced set of hearings. We have structured the hearings in a way which we hope will allow for the greatest expression of diverse views. The subcommittee has no opinions at this time as to whether the U.S. Government should

be taking actions such as those that have been suggested. Perhaps I should say I have no preconceived opinion and one of the reasons that I was most interested in holding these hearings was to try to determine for myself whether I felt investments ought to be increased, decreased, discouraged, tax credits withheld completely. I listen to these hearings with an open mind.

The hearings will explore what actions, if any, might be taken to ensure that any changes in policy will be made based upon a serious and broad consideration of the issues involved.

I would like to ask my colleague, Senator Percy, who has recently traveled in Africa, specifically in South Africa and Namibia, and spoken with a great number of people there on every side of the issue, if he might have an opening statement.

STATEMENT OF SENATOR PERCY

Senator PERCY. Mr. Chairman, thank you very much indeed.

I value your opening statement. I think it is helpful to our witnesses sometimes to know where we stand. The purpose of hearings is obviously to glean as much information as we possibly can.

I can assure you that no two Senators have more open minds and want to judge something by the facts in this complex matter, particularly those who have been really on the frontline for so long.

But we have open minds and not empty ones. We both have impressions as a result of our study and visits and I think possibly it would be helpful if I could just relate a few feelings that I have which seem to stand in sharp contrast to some of the testimony we are going to receive today, just to indicate that we start from different premises but certainly I am anxious to hear every point of view.

U.S. ECONOMIC ROLE IN SOUTH AFRICA

I would like to comment briefly on the U.S. economic role in South Africa, what I perceive the Africans want from us, as a Nation, and then just an observation on the tangled situation in Namibia and our role there.

From the standpoint of economics, I did talk with American business leaders, the ones I met in South Africa, who generally acknowledged their responsibility to provide expanded opportunities for black South Africans.

We don't question that they felt this is what they had as a responsibility and it was the way to do business in South Africa, from their standpoint. The country desperately needs a large inflow of foreign investment to recover from the world recession and resume past levels of growth.

Economic expansion is the only mechanism that can produce greater social justice for the black majority. That seemed apparent to me. Although U.S. firms have been among the more progressive employers in South Africa, they can do far better and they must because the pent-up pressures are highly explosive.

I reported in detail, in my talks with businessmen both in Cape Town and Johannesburg, on what I had seen and witnessed and the

people I had talked with in Soweto; for instance, the pent-up anger, the feeling. And I quoted in my own report, when I came back this year, from some of those witnesses who, in their own words, told us how they felt.

I tried to pass this on to the business community. For example, no black labor unions have yet been recognized as official bargaining agents. Blacks have been the main victims of layoffs and dwindling opportunities for advancement caused by the recession, which has reversed some of their hard-earned economic gains.

However, low income whites have also been squeezed by inflation, threats of layoffs, and the pressure of the black majority from below.

Under these circumstances, an embargo on further U.S. investments in South Africa, or a withdrawal of U.S. assets, it seems to me, could quite possibly produce a violent upheaval. At the very least, abandoned investment would aggravate the plight of the black majority without offering these people any hope for constructive change.

Thus, I did not come away with the feeling that the answers lie in negative economic pressure on South Africa. I believe American investment can play a useful role in expanding and seeing that the pie is more fairly divided. However, it would be unrealistic to look on U.S. investment as a means of transforming South African society overnight.

Rapid social change can only come through a drastic change in attitude with the dominant white minority, black majority, or both groups. The end of white minority rule in Rhodesia and Namibia may precipitate new attitudes in the Republic.

The best means of bringing our economic influence to bear in Africa is that which was outlined by Secretary Kissinger. Stronger pressure for positive social change in South Africa, coupled with increased public investment to help the developing nations of the continent become self-supporting.

We have strong incentives to carry out such a policy. Africa has large reserves of raw material. Rising living standards in Africa will mean new markets for U.S. goods. And the emerging interdependence of the states of southern Africa could mean better relations within the national borders.

From the standpoint of what Africans want from the United States, in visiting the four frontline black nations in southern Africa, I was repeatedly told by the leadership of those countries that Prime Minister Vorster and South Africa hold the key to the problem down there.

They felt the leverage of South Africa would be what is needed to persuade Ian Smith to get his feet out of cement and realize he has got to move with the changing times there unless he wishes to be swept over.

In spite of a decade of so-called benign neglect, I found that black and white African leaders believed in being capable of playing a constructive role on their own. In fact, there may be a danger that both groups will tend to credit the United States with powers greater than we actually do possess in this particular situation.

Black leaders with whom I talked, including President Nyerere of

Tanzania, President Kaunda of Zambia, President Michel of Mozambique, Vice President Masire of Botswana, and leaders and representatives of liberation movements all said they want, first, a clear and unequivocal assurance that we will not intervene to save Ian Smith's regime if his policies provoke a major war and foreign intervention; second, some positive indication of U.S. moral support, not arms, for national liberation movements in Rhodesia and Namibia.

The fact that Secretary Kissinger himself provided assurances on these points, in his speech at Lusaka and subsequent statements, made his words doubly welcome. Previously, too many African leaders have seen the U.S. Government as unable to focus on Africa. And when we did, we seemed obsessed with communism.

U.S. POLICY RESPECTING NAMIBIA

Finally, Mr. Chairman, I would like to just read what I said in one paragraph about U.S. policy with respect to Namibia. I found that the State Department discouraged my even going there. No. U.S. Senator has ever been to Namibia to my knowledge.

Somehow or other they felt that by my going there, we were, somehow, giving recognition to the illegal regime of South Africa in what Pretoria calls Southwest Africa.

I made it eminently clear that I looked upon that regime as a totally illegal presence, and the practices carried on there were reprehensible to me. No U.S. officials are stationed in Namibia, and the U.S. Government actively discourages U.S. investment in the territory. In order to emphasize South Africa's presence in Namibia, the U.S. Government severely restricted travel to Namibia of the officials of the executive branch. No Member of the Senate visited Namibia and, so far as I know, our own Ambassador in South Africa is prohibited from going to Namibia.

The only U.S. official currently stationed in South Africa, who has regularly visited, is a junior officer of the American Embassy, who accompanied us on our trip and whom we found to be an extremely knowledgeable and capable foreign service officer.

The purpose of the U.S. Government's policy of severely limiting official contact is to avoid recognition of South Africa's presence. I believe, however, that the United States has only minimized the role it might have played in recent years in helping to encourage the satisfactory political solution.

Thus, I believe this policy of the United States should be changed so as to enable us to play a more active role in helping to bring about a necessary settlement.

Certainly, since writing those words in June of this year, there has been a dramatic change in U.S. policy. We have really moved this up from the back burner to the front burner.

The Secretary himself has personally intervened, has taken a great deal of time with the President of the United States and, in talking with President Ford, I know how urgent he feels the matter is. The good offices of the United States are certainly available now to help solve the problems not only in Rhodesia and South Africa, but also in Namibia, and we are playing a very active role there.

So I think the administration has certainly moved a long way, and at the right time. Secretary Kissinger is now offering to engage in his particular brand of shuttle diplomacy which has certainly helped to relieve the condition of war in the Middle East.

If he can intervene and use that great talent that he has in this direction, I think we all should encourage him. We are very happy to welcome you as our witnesses this morning.

Thank you.

Senator CLARK. Thank you very much, Senator Percy.

HEARING PROCEDURE

We turn now to today's witnesses. We ask each of you, although you have rather long statements which we will put in total in the record as if given, to summarize your position in 10 minutes.

What I would like to do following that is to give each of you 3 minutes to comment on what others said in the process of their own discussions, if you would like, and then we will save the remaining time this morning for questions.

Our objective today is to discuss current events in South Africa and to get a better understanding of the various political forces that are acting there.

Mr. Kleinschmidt will speak of the growing black consciousness in South Africa; Mr. Chettle, of the South African perspectives on recent events and the role of United States policy and business there; and then Mr. de St. Jorre will speak of the role and perspective of the Afrikaan, and perhaps, as his article does, of the British-speaking, English-speaking people as well.

WITNESSES

First, we are going to hear from Mr. Horst Kleinschmidt, former assistant director of the Christian Institute in Johannesburg. The institute, incidentally, focused originally on trying to change attitudes among whites and in establishing a dialog between white and black.

In recent years, it has increasingly concentrated its efforts in the black community. It has been outspoken in its condemnation of apartheid and in its demands that blacks be allowed to share political power in South Africa.

I do want to say in introducing Mr. Kleinschmidt, he is a former student leader at Witswatersrand University, the foremost white liberal student organization there. He has been extremely active in support of black rights, probably has contacts as good as anyone with the Black Student Movement, SASO, and the Black Peoples' Convention.

I know many of his friends and associates have been detained in recent riots, or have been forced to leave the country. Indeed, he himself was detained this spring for 70 days and after being released, through the same channels through which he helped others before him, was told that he was likely to be arrested again. He has a wife and child still in South Africa.

Mr. Kleinschmidt, proceed for 10 minutes in any way you see appropriate.

STATEMENT OF HORST KLEINSCHMIDT, FORMER ASSISTANT DIRECTOR OF THE CHRISTIAN INSTITUTE IN JOHANNESBURG, SOUTH AFRICA

Mr. KLEINSCHMIDT. Thank you very much, Mr. Chairman.

It is now nearly 3 months since we are reading in the press the official reports issued by the South African authorities on the number of people who get killed every day in clashes with the police. Reports about uprisings come from an ever increasing number of townships in the urban as well as in the rural areas.

The fact that these unrests are widespread and receive support from large sections of the community for such a prolonged period and in seemingly sustained way, makes it important to evaluate the South African situation anew. Only a year ago, most observers of the South African situation would have thought this development to be highly unlikely.

What has happened and what continues to happen every day will change the power relationships inside the country in a significant way and this will, therefore, also involve the relationships which outside powers have with South Africa. There is no doubt in my mind that this is in a very significant way demanding a reevaluation of foreign investment in the South African economy.

AUTHORITIES' PERCEPTIONS OF DISSATISFACTION OF PEOPLE

Only weeks before the Soweto eruption started on June 16, the senior official of the West Rand Bantu Administration Board had said in an interview that the people of Soweto were satisfied and that there were no tensions amongst the people whom he has such vast jurisdiction over. He is Mr. Manie Mulder, brother of the minister of the interior and of information.

It is quite clear that the South African authorities were caught completely unaware when the unrest first erupted. This is evidenced in their reactions and in their seeming total inability to understand what the disturbances were about.

The deputy minister for Bantu administration, Dr. Andries Treurnicht displayed a total lack of understanding when he said, after over 100 children had died, that he thought that it was reasonable for the Government to determine the teaching language in schools, since the Government was, after all, paying for the education.

This statement can be faulted in a number of ways, but worst of all is to realize from this statement that he actually believed that language was a central grievance for the children. Many white liberals in South Africa also believe this to be the basic grievance.

On the other hand, there are the numerous warnings which had been issued by community leaders in Soweto and elsewhere in the preceding weeks, who warned of the likely confrontation which the authorities ignored entirely.

Since the beginning of this year, students, teachers, and parents have voiced their grievances over the language issue in particular, but over the system of "Bantu education" in general.

It is not the habit of the South African authorities to listen to the grievances of blacks. Their requests, their representations, and their

protests had to result in further frustration. Someday the limit had to be reached and on June 16, it was reached. There are many reasons why it should have started there, then and why exactly by the younger generation.

WARNINGS OF MOUNTING CRISES

Before I go into these, I want to refer to the warnings of the mounting crises which were voiced by many people in South Africa time and again, over many years. I could refer to many leaders who have spoken of the dangers that face us and many of them have been silenced through the Government's various methods.

In recent times, we have seen persons such as Dr. Beyers Naude of the Christian Institute, and Dr. Manas Buthelezi of the Evangelical Lutheran Church, who has shown great skill as leader whose voice is acceptable to many blacks.

The Black Parents Association, of which Dr. Buthelezi is chairman, has done very important work in assisting the victims of the unrest and also liaison between the black community and the authorities. Many of his efforts have been frustrated in recent weeks, culminating in his brief arrest by the security police.

REASONS, SITUATIONS FOR BLACK DISSENT ERUPTIONS

Black dissent erupted in Soweto for a number of reasons on June 16. However, the ingredients which could have triggered off such a situation have been existent in various parts of the country for a long time.

Because there have been the makings of a second Sharpeville, the explosion could have come about at any moment and depended on the level of frustration and anger on the part of some blacks to reach a peak at a point where a hostile and violent police force would make use of their rifles.

Psychologically, the police have also been prepared for this event for many years. In spite of the fact that there was no cause for them to shoot at children, their whole conditioning is such that they had to take more drastic action if they felt provoked by the blacks. That shooting was dangerous from a diplomatic point of view is a fact which is only appreciated by their politicians who could no longer warn of the implications once it had happened.

I want to point to the numerous situations where an explosion of this kind could have happened in recent times. There are many more and many I probably do not know about, but the following serve as adequate examples: The so-called pro-Frelimo [Front for the Liberation of Mozambique] rallies in various parts of South Africa in September 1974 could have become such flash points. The bus strike at the Kwa Thema location since the beginning of this year constantly threatened to erupt to something much larger in scale.

A riot which occurred in the streets of central Johannesburg at the main railway station in March of this year, when workers and students demonstrated after a group of detainees had appeared in a nearby court; civil service trainees who were returning from combat in Namibia and who happened to be at the station could be stopped just in time from making use of their rifles.

At a strike at a factory near Johannesburg, police baton-charged a meeting of workers after weeks of small-scale clashes. Many ended up in hospital, but the event did not spread at that time.

In Cape Town, in a shanty village where police destroyed dwellings, the inhabitants started throwing stones at the police and the police retaliated with gunfire. Another smoldering situation which did not ignite, but which has all the makings of it.

There are indefinite incidents at schools and universities for blacks every year which have caused these institutions to close down for periods of time. No black university has had a clear academic year without some serious interruption from happening.

[The following information was subsequently supplied:]

UNIVERSITY OF FORT HARE DOCUMENT SPELLING OUT CONDITIONS FOR READMISSION AFTER THIS YEAR'S UNREST

To all students: Following on the riots which took place at the University on Sunday, 18 July, a special meeting of the University Council took place on Monday, 26 July. You may have heard or read of the press statement which was issued after the meeting which reads as follows:

"At a special meeting held today, the Council of the University of Fort Hare, while unanimously condemning the unprovoked and senseless destruction of and damage to University and other property by students on Sunday, 18th July 1976, decided to re-open the University at an early date.

In order to allow for the necessary administrative procedures to be completed timeously such reopening will take place on Monday, 16th August 1976, and the readmission of students will be subject to their written acceptance of the following conditions:

1. No mass meetings of students will be permitted for the rest of this year.
2. All regulations will be strictly applied.
3. Students undertake to refrain from any violent, disorderly or subversive action.
4. The University authorities will arrange for regular police patrols on and around the campus for as long a period as is deemed necessary to prevent any recurrence of damage to University property and to ensure the personal safety of students and staff.
5. All indemnity deposits already paid for 1976 will be forfeited to pay for damage already caused to University property.

A new indemnity deposit of R50 will be payable in advance by all students seeking re-admission.

6. The Rector is authorised to close the University for the rest of the year if circumstances arise which in his judgement justify such action in the interests of the University and in such event, there will be no refund or remission of fees."

It has subsequently been decided that the short vacation over the September long week-end will be cancelled and that lectures will, if necessary, continue right up to the day preceding the commencement of the examinations (21 October.)

Students are further advised as follows:

(i) Before you will be re-admitted to the University, you are required to sign the enclosed form accepting the special conditions which apply for the rest of 1976, which you must promptly return to the University together with the new refundable indemnity deposit of R50 required by the Council. As from 1 January 1977 this deposit will be increased to R100.

(ii) The deposit of R20 already paid has been appropriated to pay for damage caused during the riots and other consequential expenditure which the University has been obliged to incur.

(iii) In view of the fact that all fees are payable by 1 August, you are required to bring with you all outstanding fees not already covered by bursaries.

(iv) The University regrets the necessity of having to request the police to patrol the campus. Any student who witnessed the events on the 18th July will however appreciate that this is a necessary precaution. I can give the assurance

that the police will not interfere with innocent students and that they will be withdrawn as soon as it is clear that their presence is not required.

(v) I must emphasise that all these special measures are due to the wanton acts committed by students. Every student must therefore accept that his return to the University is conditional on accepting the situation as outlined above.

If you do not wish to return under these conditions, you are advised not to seek re-admission. If you do accept the conditions you will have to abide by them. The University authorities are responsible for the safety of the property on the campus, which runs into tens of millions of rands, and which cannot be replaced for many years, particularly in view of the present difficult economic conditions in the country.

You are therefore informed that the authorities have been instructed by the Council not to consider any requests by the students for the relaxation of these conditions which have been brought upon them by a minority of their comrades.

You are also advised to consider what the consequences for yourself will be if it becomes necessary to close again this year. A large number of first year students willl have to be admitted in 1977, and a corresponding number of existing students will therefore lose their places. If you are interested in obtaining a university education it is now up to you to prevent further dlisturbances.

A. COETZEE, *Acting Rector.*

The REGISTRAR,
University of Fort Hare, Private Bag 314, ALICE 5700

DEAR SIR: I hereby acknowledge receipt of the Acting Rector's circular dated 29 July 1976, and agree to return to the University under the conditions laid down by the Council on 26 July 1976.

I enclose herewith my indemnity deposit of R50 which is refundable when I finally leave the University. I realise that damage which may be caused to University property by unidentified students will be recovered from the student body as a whole by means of a charge against this deposit.

Yours truly,

(Signature)

(Date)

For these reasons, the events of Soweto and what followed came as no surprise to those in South Africa who believe that they have some understanding of what the situation is really like. We could see that the basic factors which caused the grievances were there and that they are fundamental and are not merely a matter of what the teaching language should be.

Furthermore, it is abundantly clear that Soweto was the culmination of long suppression of the legitimate aspirations of the people who have come into ever-increasing open conflict with the structure which is there to control them. At this moment, it seems unlikely that events as they are happening now will suddenly end. If they do end, it will be through the violent suppression by the authorities which would, of course, not solve anything.

MISCALCULATIONS OF FEELINGS, LEVEL OF BLACK ANGER

The feelings of the black community and the level of their anger has consistently been miscalculated. The liberal media of South Africa just do not know what black South Africa is really about. In spite of their apparently critical attitude, they are not in any way a sounding board for the black community. Any black person would have said so long before the present events happened.

In the last instance they interpret a situation which they as white liberals wish to see, or are only capable of seeing. There are, of course,

also those whose vested interest in the situation is such that they are truly blinded to the realities. These are the Government and its supporters, but I also refer to the business community which includes many foreign investors. For as long as they argue to themselves that those factors which preserve the system are strong enough to preserve their interests, they are losing touch with another vital factor in the situation which is increasingly threatening that system. I know such people. Some of them, when they get worried, have thought it a good idea to come to a white person in the Christian Institute in order to seek advice. Through this, I have realized how they were misjudging the likelihood of their business prospects in Angola or Mozambique. Members of the government apparatus have not come to seek such advice, nor do they want it.

SOUTH AFRICAN PRESS

As regards the press in South Africa, it is an open secret that there is an understanding between the owners of the newspapers and the Government, more particularly Mr. Vorster, that they, the newspapers, would apply some form of self-censorship and, in turn, would not court any severe censorship legislation. Another important factor which has also influenced the newspapers in South Africa recently is the attitude of the security police who have visited editorial offices repeatedly in recent months and who have, through pressure and threats, acted as censors. This has applied particularly to the events which have happened in the areas where there were disturbances.

Additional problems have been that areas have repeatedly been sealed off to reporters, that reporters have been interfered with by police officers, and that cameramen had their spools taken out of their cameras. At the present time, some five reporters have been detained under section 6 of the Terrorism Act.

The question which arises, especially due to the various speculations which arose from press reports, is who is behind the unrests, how much organization is involved, and how much support is there in the black community for what has been happening?

It does not take too much imagination to understand why the white group in South Africa, from government sources to the liberal media, had an interest to create a picture that there was considerable tension between the various groups in Soweto and elsewhere. They tried to suggest that there was a division between young and old and later on that various groups had turned against each other and were killing each other.

The way in which these arguments were willingly believed spelled out some of the crude racism of the whites who wanted to hold on to their prejudiced view that the blacks really were initially instigated to riot and later turned against each other due to tribal differences.

Other unpleasant attempts at misrepresenting what was really happening was to blame a hooligan or "tsotsi" element for, for example, enforcing the strike. This would be totally illogical and unlikely, but the Johannesburg Rand Daily Mail presented it just like that.

I do not wish to minimize the tensions which exist within the black community itself. It is only logical that they should exist, especially since large political organizations are not permitted. I also concede

that there was an element of tribalism in the Zulu reaction to the strike, but there is not the slightest doubt that his was exploited to the full by those who wanted to have it this way.

ZULU WORKERS

To take this example, it should be known that the Zulu workers live together in a compound with an enclosure around it, in which they do not live out of choice, nor because they want to be together as Zulus. These are government measures. Their domicile is closely guarded and controlled. As a result, they were not informed of the call to strike. This may be explained afterwards. When they went to work and found on their return that they encountered hostility for having gone to work, they reacted as a group. This reaction, which suited the authorities, was definitely used by the authorities to achieve their own objectives. They wanted to use one group against another in order to break the strike. For example, trucks were loaned to the Zulus in order to reach areas where they were likely to get into conflict with strikers. This is not a new thing at all. We have known such tactics to exist for a long time. On the mines, this method has been used in the past, and in other places as well. This is one of the cornerstones which makes the policy of divide and rule successful.

SUPPORT FOR DEMONSTRATIONS

I believe there to be extensive indications that there is in fact very widespread support for the demonstrations which have taken place. There is also much evidence to suggest that old and young took part in the actions which succeeded the demonstrations. This is clear if one goes through the lists of the accused who have appeared in court at this stage and one sees that their ages range from young to old.

Most significant of all is, however, the fact that the workers, who cannot be called young generation, when they were called to strike, they reacted with singular success to a call which was quite clearly related to and in support of the earlier demonstrations of the younger generation.

Through this joint action, a significant display of solidarity is evident. If there were any hesitations on the part of the older generation, then these were out of concern for the safety of their children. They understand how this could happen and they are ashamed that their children had to take a political initiative which they felt that, as parents, they should have taken long ago.

The Black Parents Association is further evidence of the cooperation between young and old. Members of the Black Consciousness Movement are represented on it as well as members of the older generation, including Mrs. Winnie Mandela and Dr. Mthato Motlana.

SIGNIFICANT OUTSIDE FACTORS

There are also significant outside factors which have had an effect on the events we are concerned with. In particular, I want to refer to the independence of Mozambique and Angola. For the black community, there has been a particularly strong identification with Frelimo.

Pro-Frelimo rallies were held by students, statements of support were issued at the time and my own experience has been that the writings of Samora Machel were in great demand in Soweto when the interim government took office in Mozambique.

It should be remembered that there are close social ties with the people of Mozambique, too, and that especially the Shangaan people live on both sides of the border. In many cases, they share a common religion or belong to the same sects. The situation of Angola has, to my knowledge, not had that extensive an impact as has Mozambique.

The Angolan situation had a rather more direct effect on the white community of South Africa, both as regards their active part in it and the debate about it. The fear of communism was central to the debate and the engagement of South African troops brought to the average white South African home for the first time the direct effects of being engaged in a war.

SHARPEVILLE, SOWETO COMPARISON

It is instructive to compare the event of Sharpeville with Soweto and all that goes with it. In 1960, Sharpeville was in a sense the culmination of political protest to oppose the system of passbooks which Africans have to carry.

Prior to this period, two large national organizations, the African National Congress (ANC), and the Pan African Congress (PAC), had spent years of organizing. Throughout the period 1960 to 1964, the South African authorities spent crushing these organizations, to outlaw them and to drive them underground; but Sharpeville, at that time, drew only few wider circles. In Langa, Capetown, and a few other areas, the protests at that time found an echo.

The events around Soweto have kindled fires throughout the country and urban as well as rural areas have responded to what happened in Soweto. The unrests have flared up in an uncountable number of areas and reignited in various places again and again. The fact that they have now been going on for 3 months is significant in itself.

It is equally significant that so-called colored people, people of mixed racial origin, have now acted within their own situations as well as on issues which seem very much the same ones as in the African townships. Solidarity between all those who are oppressed has been advocated by the adherents of black consciousness in their program. I believe they have substantially succeeded in achieving this.

Since this is the movement which I believe has mainly contributed to the political awareness of the black people and, therefore, to their assertiveness, I believe it to be significant that such solidarity has been achieved.

BLACK CONSCIOUSNESS MOVEMENT

At the same time, I want to state quite clearly that the element of organization that the black consciousness organizations could engage in is not to be overemphasized. It is simply not possible for any dissident group to operate easily or extensively in the South African context. I would, therefore, say that the black consciousness ideas played a vital role in the initial protests of the schoolchildren.

I believe that, what happened after then, happened to a large extent out of the common philosophy with a limited degree of organization coming into it. Coupled with this is, of course, also the increasing oppression, the increasing bureaucracy and the increasing collapse of efficient administration which blacks have to endure daily.

It would seem that the strikes were called by the ANC, but once again, I believe that this happened with a minimum of actual organization. The South African authorities who have said again and again that there are agitators or foreign sources behind the unrest, do simply not understand what is happening in black South Africa. They adopt the attitude that any organizing of any kind, if it is done by blacks, is suspect, sinister or subversive.

Black consciousness as a movement communicates itself to a broad constituency since about 1970. It was the first overt political action which was known in South Africa after a long political lull in the black community.

In the early sixties, the ANC and the PAC were banned and from then on, there had been a low in political action until 1970. Since the Black Consciousness Movement originated largely with the younger group, it is a group who, to some extent, did not know earlier political action themselves.

Often, the older generation has accused the black consciousness group of not having a political concept, of being nothing more than a protest organization. Something of this is true, they have indeed been mainly clear about what they were rejecting and what they want culturally in their self-realization.

This, it could be argued, was another tension point within the black community in recent weeks; that is, that the older group could have argued that the demonstration and the conflict with the authorities has in fact not been linked to clear political demands. However true this allegation is, there is no doubt about a number of factors.

"BANTU" EDUCATION

First, the students want an end to "Bantu" education. They want nothing that is "Bantu" or in any way something that is designed for them especially. All their education has been handed down to them through the white rulers, and this is being thoroughly mistrusted.

In this context, the burning of schools has to be seen as well: In Soweto especially, these schools were built out of the white peoples' charity competitions, amongst rich donors and often gifts from multinational corporations. Charity is rejected entirely and only something that is done by blacks themselves can replace the present situation.

APARTHEID

Second, the uprisings have been directed against the whole institution of apartheid. In this connection, it is not coincidental that one of the first buildings that was burnt down was that of the Bantu Affairs Department, the very building where passes are issued and where the whole pass administration is handled.

Closely linked to this is the whole repatriation administration to the homelands. This was precisely what their fathers had risen against 16 years ago.

Other targets which they sought to destroy were the local municipal buildings which in Soweto are officially in black hands, but which institution has dubious powers and which attracts black persons only who are prepared to accept the system of apartheid. In Soweto, this building was known as Uncle Tom's Cabin.

Other buildings which were burnt were the beer halls which are the property of the government—so are the breweries—and these have a monopoly over the selling of liquor to blacks in townships. The profits are used to finance the Bantu administration boards.

The buses which were burnt were from a company which has for many years been the source of many protests. I refer to the famous 1959 bus boycott, to the bus boycott in Kwa Thema this year, and to the bus drivers' strikes in 1973 and 1974. The material objects which were destroyed were, as a rule, motivated by political considerations. There are very few exceptions.

NUMBER OF DEAD

I wish to turn to the factor which is most crucial in this whole event, and that is that according to the South African authorities, the number of dead has reached the 300 mark. I wish to argue that this figure is totally incorrect and that the exact number of dead is not revealed in order to prevent a bigger outcry over what is happening in South Africa. I want to substantiate my claim by as far as I can do this, through indications which are available.

The exact figure will probably never be established; but it is reasonable to state that the figure is now at least four times that of the official figure. From a source which I cannot reveal and whose report I take to be correct, it was reported that on the first day of the shootings in Soweto, on June 16, at Baragwanath Hospital, 140 bodies of children were counted, besides the wounded. This was but at one place where bodies of the dead were taken to.

I also refer to the statement made by Chief Gatsha Buthelezi who, after visiting Baragwanath Hospital and other areas in Soweto after the first week of the unrest, said that according to his information, at least 700 people had died. Later on, but still before there were casualties in Cape Town and Port Elizabeth, Dr. Beyers Naude of the Christian Institute of Southern Africa said that the number of dead was closer to 800.

At various levels in the churches, the official figures have also been doubted. The Black Parents' Association saw it as one of its first tasks to make contact with the families who had lost a member. They are trying to record details and names of the dead. However, their efforts have been frustrated by the arrests of various members of the committee.

If the official figures were incorrect, why have the police refused to publish an official list of casualties? If the authorities were telling the truth, how is it possible that Johannesburgs' overfilled mortuaries have admitted that they arranged mass burials for the unclaimed bodies?

They admitted that they were not allowed to reveal the numbers of those buried.

Besides the above indicators, there are very many allegations and rumors going around in the black society, which are horrifying and spine-chilling in their details. Furthermore, there have been no reports on the injured and whether any of those have subsequently died.

From letters in my possession, it appears to be an immense problem for many black families who are missing members of their family to know what have become of these. They speculate that they might be killed or be wounded in a hospital, or that due to the activity of the security police, they might be in hiding or have fled the country.

Because of those factors, they fear to report any missing persons and as a result, this all contributes to the situation by which the authorities do not have to reveal the full picture. This is only possible in an authoritarian state where suspicion and fear are used by the rulers in order to achieve their ends.

I would also wish to refer to the injured people who in view of my contention of the number dead, must also be much higher. This factor is particularly to be viewed in the light of what it means for a wounded black to go to a hospital. It has been their experience in the past that entry to hospital would entail being also caught by the police who would make a careful check on all admissions. Their attitude is one of the wounded were probably in the forefront and thus also the leaders of the unrest.

Further to the above factors which have resulted in people being killed or wounded, it is important to refer to those who have in the wave of all that was happening chosen to flee the country and who now await an uncertain future, mostly in Botswana.

Their numbers are growing daily and would swell, particularly now. I have no indication of the number who have fled in recent weeks, but there is every indication that the number is rising rapidly. Their circumstances and their needs warrant close attention and help since the Botswana Government is not likely to be able to absorb refugees from three countries indefinitely, especially when it is impossible to hope even for a small number of work places for these people.

PREVENTIVE DETENTION

The most publicized factor around the events in South Africa over the past 3 months has been the number of detentions. According to our own figures in the Christian Institute, at least some 240 people—I wish to correct that figure, according to information I received yesterday, more in the region of 700 people are currently being held under the Internal Security Act, preventive detention, as it is called in the act, or section 6 of the Terrorism Act.

The former provides for detention of up to 1 year, without the requirement in the act, at least that the detention would culminate in a trial or a charge, as the act says "preventive." The latter act provides for indefinite detention and it is understood from the act that the detainee is held in terms of some matter or other that the security police is investigating. This does not mean that the detainee is informed of any charge against him, as indeed was the case when I myself was being held under this act.

It is, therefore, more likely that once a detainee is held under this act, that he or she may expect to be charged in the end or that he or she is being prepared to appear as a State witness. It is just as likely that the detainee is released without any further ado, but then should expect, as is often the case, that a banning order will be placed on him or her.

Should one be charged under the above acts, the accused is presumed to be guilty until his or her innocence is proven. There are also minimum jail sentences. In terms of the Terrorism Act, this is 5 years. Some other detainees are being held under the General Law Amendment Act.

This provides for 14 days detention, but the number of those held is rather small and in most cases they are at the end of their 2-week period held under either of the other two acts, in any event. Detainees held in terms of the Terrorism Act are held in solitary confinement.

Some of the names of those currently being held are appended. In the first place, they comprise the leaders of the Black Consciousness Movement. They would be, in most cases, under the age of 30. Most of them would be members of SASO or BPC [Black Peoples Convention.]

A very large number of them are Christian leaders or are employees in church organizations. At least six of them are priests. Also among them are journalists, academics, doctors, and trade unionists. Among them are some 10 whites.

[The information referred to follows:]

SOUTH AFRICAN DETAINEES

16 SEPTEMBER 1976

Leonardo Appies, president, Students Representative Council, University of the Western Cape, Bellville; theological student, Nederduitse Zendingskerk. 15 Aug 76.

Vuyo Baleni, East London.

Fikile Bam, law student; ex-African National Congress official; once a prisoner on Robben Island; banned in the Transkei.

Jeremy Baskind and Moses Bhengu.

Steve Biko, former president, South African Students Organization; banned since 1972; court cases pending for allegedly breaking banning order; 8 security policemen were sent to arrest him.

Graham Block, and Sipho Bothile.

Russell Botman, theological student, Nederduitse Zendingskerk; Cape Town; 15 Aug 76.

---------- Caesar, Middleburg; 5 Aug 76.

Percival Carolus and Gladman Cekisani.

Mokie Cekisani, Port Elizabeth.

Jeremy Cronin, political science instructor, University of Cape Town, charged under Terrorism Act and Internal Security Act.

Martin Dhuki, Johannesburg area.

Z-------- Dozi, Idutywa. 14 June.

Hertzog Dube, Empangeni.

Reuben Jabulari Dumani, Reuben Dumasi, Victor Dumisa, and Thami Dunisa.

Mtolose Dyanti, Kingwilliamstown.

P. S. Fadana.

David Faas, East London.

Victor Gallingi, staff, Catholic Bishops Conference. 1 July 76.

Mpozo Gazo.

Pieter Geldenbloem, theological student, Nederduitse Gereformeerde Kerk (church of Prime Minister Balthazar Johannes Vorster's brother, the Rev. J. D. Vorster); Cape Town. 15 Aug 76.

Vuyana Gobodo, Butterworth. 17 June 76.
Mrs. _____ Gobodo, Butterworth. 17 June 76.
Shadrack Gonde, Zwelitsha.
Mntato Gotlane, Black Parents Association. 13 Aug 76.
Leslie Gumede and Harriet Gwala.
Mzimkhulu Gwentshe, former prisoner on Robben Island; then banned, now detained for second time; known to have been tortured before.
Mzimrhuzi Gwentsche, Mdantsane.
Humphrey Harrison and Frank Haysom.
Rev. Alan Hendrickse, national chairman, Coloured Labour Party. Congregational Church. Internal Security Act. 26 Aug 76.
Peter Hendrickse, 17-year-old son of the Rev. Alan. Said to be detained, but not confirmed.
Anthony Holiday, political writer, CAPE TIMES, Cape Town.
Veron Jali, Gus Jacobs, and Peter Jones, University of the North, Turfloop.
Kutsi Kambule, Zeerust.
Zolile Keke, East London.
Tamsanga Ketelo, Kingwilliamstown.
Robert Kgame.
Kgangelo Kgosane, held at John Vorster Square, Johannesburg.
Jairus Kgokong, John Vorster Square, Johannesburg. Re-detained several times; charged for having stolen a note from a security police agent which the agent had wanted him to sign, in order to pin something on him.
Mateu Khambule, University of the North, Turfloop.
David Khumalo, 20 years old; possibly released.
P____ Khumalo, Transkei.
Sipho Khubeka, Pietermaritzburg.
Temba Khubeka, Kwa Mashu.
Victor Khubuza.
Kingdom Khutswana, redetained; detained first 19 Oct. 75, released May '76.
Judson Khuzwayo, 10 June '76.
Miss Numbeleo Kobus, 10 July '76.
Ismail Kola, student, University of the Witwatersrand, Johannesburg. Sept. '76.
Hamilton Kubheka, Natal.
Mentz Kubheka, Natal.
A_____ Kubukti.
France Kunene, Pietermaritzburg.
David Kutumela, 20-year-old pupil at a Soweto school. His mother works for Christian Institute. 12 July '76.
Mandlenkosi Langa, Durban.
_____ Lengane, Morris Isaacson High School, Orlando, Soweto.
E. M. K. Leputu, church worker, Nederduitse Gereformeerde Kerk. 23 Aug. '76.
Anthony Lolwane, Zeerust.
Ben Louw, third detention.
Shirley Luthuli, Zeerust.
Miss S____ Mabida, Natal.
Mrs. Joyce Mabudafase, University of the North, Turfloop.
Ilva MacKay, M____ Madlala, and Penwell Maduma.
Ethel Kayo Mafuna, John Vorster Square, Johannesburg. Husband in exile after being banned and charged for breaking banning order; her father is over 70. an ex-detainee, is banned now and very sick.
R____ J____ agida, Internal Security Act; 27 Aug. '76.
Peter Magubane, photographer, RAND DAILY MAIL, Johannesburg. He was held incommunicado by the security police for 586 days in 1969–71; shortly before his latest arrest, he was twice assaulted by the police in Soweto while covering the uprising, his nose broken by a baton, his glasses smashed, and he suffered internal injuries. His house burned down by unidentified arsonists during that time. He was banned for 5 years and served a 6-month sentence additionally.
Truman Magubane, Jeevantha "Jeff" Maistry, Natal.
Tshepo Makgalemele, Zeerust.
Pius Makhoba, Natal.
_____ Makhoba, redetained Johannesburg, 13 Aug. '76.
Dan Makwena, staff, Catholic Bishops Conference, Pretoria. Internal Security Act, 13 Aug. '76.

Esther Maleka, Johannesburg.

Mrs. Winnie Mandela. Black Parents Association, Soweto. wife of Nelson Mandela, African National Congress leader serving a life sentence on the Robben Island prison colony, 13 Aug. 76.

J_____ Mangala and Desmond Siphiwe Mangaliso.

Thomas Manthata, former SASO executive; employed by South African Council of Churches when detained. Black Parents Association, Third detention since Nov. 74, once held 233 days. Internal Security Act, 1 July 76.

Russel Maphanga, Natal. perhaps released July 76.

Shadrack Maphumulo and Zolani Maphupha.

Rev. Zwandile Maquina, president, African Independent Churches Association. Wrote play on Black Consciousness which was not performed because of "official" interference by Soweto authorities, 13 Aug. 76.

George Mashaba, University of the North, Turfloop.

Richard Mashamba, philosophy lecturer, University of the North, Turfloop.

Harry Mashabela, reporter, JOHANNESBURG STAR; student at the Woodrow Wilson School of International Affairs, Princeton, New Jersey, in the 1960s.

Lekgau Macaulay Mathabathe, principal, Morris Isaacson High School, Soweto. International Visitor guest of the US government, April/May 1975. Black Parents Association, Soweto.

Dr. Aaron Mathlare, medical doctor, Soweto; Black Parents Association. 13 Aug 76.

Raditjhaba Matime, articled law clerk; ex-president, Black Peoples Convention; expelled from Turfloop.

Nikiwe Matshoba, disappeared, believed redetained.

Thami Mavumengwana.

Fikile Mavuso, SASO member. Internal Security Act, Sept. 76, perhaps held at Grahamstown.

Nhlanhu Mazibuko, SASO member. Internal Security Act. Sept. 76. Perhaps held at Grahamstown.

Seth Mazibuko, Black Parents Association, publicity secretary.

Thandisiszwe "Tiza" Mazibuko, Kingwilliamstown. Worked for Black Peoples Convention, and before that for the South African Council of Churches. 23 July 76.

Papa Mbajodi and Richard Mbatha.

B_____ Mbatyoti.

Papa Mbatyoti.

Mphakama Mbethe, University of the North, Turfloop.

Mrs. Edna (Zuma) Mdingi, Umlazi.

Leonard Maqashu Mdingi, Umlazi.

Gerald Mdlazlose, Natal.

Mr. _____ Mdluli (not related to Joseph Mdluli, who was murdered by the South African security police on 19 March 1976 while in detention).

Mrs. E_____ Mdoda, Umtata.

Dr. Fatima Meer, she is a professor of sociology at the University of Natal, Durban, and was under a banning order at the time of her arrest.

Rashid Meer and _____ Meer, sons of Dr. Meer.

Pendile Mfeti, trade unionist, Johannesburg.

Khataylety Mghayisa and A_____ Mgobozi.

M_____ Mgobozi, Ngangelezwe.

L_____ L_____ Mgudlwa.

Victor Mhlongo.

Rev. Smangaliso Mkhatshwa, secretary, Black Renaissance Convention; staff, Catholic Bishops Conference. Internal Security Act. 13 Aug. 76.

Ismael Mkhabela and Catherine Mkhize.

David Mkhize and, Riot Mkwanazi of Natal.

George Mngoma.

Nhlanhla Mnyanda, East London.

Lawrence Mofokeng, Zeerust.

O__ Mogudi, University of the North, Turfloop.

Christopher Mokoditwa, articled law clerk; former student leader, Turfloop and University Christian Movement; banned. Internal Security Act.

Aubrey Mokoena, Black Parents Association, Soweto; detained before.

Rev. Gobi Clement Mokoka, Catholic; Pretoria; Black Parents Association. 23 Aug 76. Internal Security Act.

Naquata Molefe, 12 July 76.

P. T. Moatshe, Nederduitse Gereformeerde Kerk. 23 Aug 76.

Florence Moncotywa and J__ Motau.

Dr. Nthato Harrison Motlana, medical doctor, Soweto; Black Parents Association; his wife, Ms. Sally Motlana, was a guest of the US government as an International Visitor, April/May 1975; she represents the Anglican Church on the executive board of the South African Council of Churches. Dr. Motlana was detained 13 Aug 76.

__ Moss, Pretoria. 13 Aug. 76.

Mosala Nathaniel Mosogome.

Mr. S__ Mpendule, Umtata.

Joseph Mpila and O__ Mpondo.

Malusi Mpuluana, Kingwilliamstown. worked for Black Peoples Convention; banned. 13 Aug 76.

Mr. V____ Mrestyana, Umtata.

Stanley Msibi, Pietermaritzburg.

Mazwi Msimang, Natal and Nonqaba Laurah Msimang.

Ephraim Mthalane, Pietermaritzburg and Mandisa Mti, East London.

Miss Thenjiwe Mtintso, reporter, East London Daily Dispatch.

Mr. E__ Mtshontshi, Umtata.

Rev. Cyril Muller, Anglican, St. Katherine's church, Uitenhage. General Laws Amendment Act. 7 Sep 76.

Kenneth Mutime, Mxolisi Muovo, and Mr. ____ Myonvo, articled law clerk.

Molisi Myovo, vice president, Black Peoples Convention. Eastern Cape. 13 Aug 76.

Mrs. __ Myovo.

Musawenkosi Myeza, Johannesburg. Brother is accused no. 2 in the SASO/BPC Terrorism trial now going on. 9 July 76.

M__ P__ Mzwaka, June 76 and Ndwanda Nadyo.

Miss June-Rose Nala, Durban; perhaps released.

Victor Ndaba, Moses Ndaudule, Jul Ndabe, and Hector Ncokazi.

Duma Ndlovu, reporter, The World; detained Soweto 24 Aug 76.

Joel Ndebele.

Mozes Ndela, University of the North, Turfloop.

Shadrack Ndonde.

Samson Ndou, former African National Congress; once banned.

Charles Ndunge.

Sabelo Neku, Johannesburg area.

Rev. Simon Ngobeni, Pretoria, held under Terrorism Act.

Dawn Christopher Ngobese, Newcastle.

Barney Ngakane, director, university & technical bursaries, South African Council of Churches, previously banned. Age: over 70. Sep. 76.

Mfana Lawrence Ngubane, Imbali.

_____ Ngubezi and _____ Nkabinde.

Mr. Sibusiso Nkosi, Newcastle, Lucky Nkosi, and Stanley Nkosi.

Willie Nkosi, photographer, RAND DAIL MAIL, 28 years old, detained 9 Sep 76 at Soweto. Internal Security Act.

Winston Nkondo.

Jackson Nkosiani, Transkei.

Gilbert Nkombasa, Jennie Noel, Victor Nthabo and Ephraim Nthelane.

Mr. D____ Ntsebeya, Idutywa.

Mr. L____ Ntsebeya.

Miss M____ Ntsebeya, Idutywa.

Makosi Nyobo.

Mausie Nyobo, Kingwilliamstown.

Temporal Nyobo.

Thembekie, Nyobo, Kingwilliamstown.

Harold Bekisisa Nxasana, Durham, trade unionist, once served a prison term on Robben Island.

Alson Nzama.

Lloyd Padayachi, law student, Westville University, Durban. Internal Security Act, held in Johannesburg.

L____ Padi.

Ms. Oshadi Jane Emily Phakathi, Transvaal regional director, Christian Institute of Southern Africa. She and her husband and three children reside in Mamelodi township, Pretoria; Black Parents Association. Internal Security Act. 24 Aug 76.

Barney Nyameko Pityana, former SASO president; repeatedly detained. Port Elizabeth. Internal Security Act.

Dimza Pityana, wife of Nyameko, perhaps released.

Liso Pityana, brother of Nyameko.

Sipho Pityana, nephew of Nyameko, detained Sep 76.

Thembeni Phanzi, W____ D____ Pupuma, Tamsanqa Qambata, and Don Qupe.

David Rabkin, political writer, CAPE ARGUS, charged under Terrorism and Internal Security Acts.

Susan Rabkin, David's wife; 7 months pregnant. Also charged. A British subject, she was released on $23,000 bail after intervention by the Foreign Office.

Kenneth Rachidi, executive, Black Peoples Convention.

Sipho Radebe and Vusi Radebe.

Dr. Mamphela Ramphele, she is superintendent of an African health clinic in Kingwilliamstown. She was the only independent person present at the post morten on Mapetla Mohapi, 25-year-old ex-secretary-general of SASO, who was detained 11 July under the Terrorism Act. Police allege he hanged himself in his cell. Mr. Mohapi is the first Black Consciousness Movement person to die in detention and the 24th detainee to die in the jails of South Africa. Dr. Ramphele was detained on 13 Aug 76.

Sello Rankwane.

Gavin Reddy, Alexander Sakarombe, and Marie Seakomela.

Marr Seakomela, Zeerust.

Joseph Seremane, held at John Vorster Square, Johannesburg; and Michael Sedgwick.

Nat Serache, reporter; reported hearing police officer encouraging contract workers in Mzimhlophe hostel, Soweto, to kill demonstrators, detained 11 Sep 76 or thereabouts.

Joyce Seroki, perhaps released.

Percy Shabalala, Newcastle; R_____ S_____ Silinga, Transkei; Nkululeko Sinxo, East London; and Desmond Siphiwe.

Ms. Lindiwe Sisulu, daughter of Walter Sisulu, serving a life sentence on Robben Island. Detained 16 June 76.

Miriam Sitole and Gerald Sizane.

_____ Sizani, permanent organizer, South African Students Movement; 19 years old. 12 July 76.

Silumko Sokupha, SASO organizer, Kingwilliamstown. 13 Aug. 76.

Mrs. V_____ Smith, September 76.

M_____ Speckman, student from Grahamstown. Internal Security Act. 11 Sep 76.

Maxwell Mkululi Spelman.

Mongezi Stofile, president of SASO. Internal Security Act. 11 Sep 76.

Julian Sturgeon.

_____ Tau, Pretoria. 13 Aug 76.

Charles Moroe Thabe, 21 June 76.

_____ Thamsanqa and David Thate.

Rev. _____ Thelejane, Zionist. 3 Sep 76.

Nicholas Thengo, Kwa Mashu.

Muhammed Timol, chairman, Human Rights Council, Johannesburg.

Master Tembeni.

Joseph Thloloe, president, Union of Black Journalists of South Africa.

Mandla Tisani and Nicky Titus.

Stanley Tlakula, University of the North, Turfloop.

Lefifi Tladi, ex-vice chairman, SASO. 1 July 76.

Walter Tshikila, East London.

Obed Tshukudu, University of the North, Turfloop.

Jan Tugwana, reporter, Rand Daily Mail. Detained in Soweto; Internal Security Act. 9 Sep 76.

Krishna Varma and _____ Vusi. 11 Sep 76.

Rev. Chris Wessels, Moravian (associated with the Lutheran Church); Internal Security Act. 22 Aug 76.

Patrick Weech, reporter, Rand Daily Mail; copy editor; July 76.

Bernard Williams.

Miss L_____ Xingwana, Ngangelezwe. June 76.

S_____ A_____ Xobololo and Carrim Yunug.

Thamasanqa Zani, Durban; Mukukrli Zibode and Joshua Zulu.

TREATMENT OF DETAINEES

I now wish to say a word or two about their treatment whilst they are being held in detention. Their being held in solitary is a serious form of deprivation and torture in itself.

My own contact with detainees after their release over the past years and also various reports I have received from people in South Africa, in some cases from released detainees themselves, leads me to commit onto paper something I do not say lightly and which I considered very carefully before I decided to say this.

I want to speak of the torture which goes on in South African jails. I know full well that these are allegations which it will be difficult to prove, but I am compelled to say what I know and what I believe to be true.

I wish to refer to some of the common methods which are used by security police in order to extract information, besides holding people in solitary confinement. Some of their methods have also become the subject matter in a number of court cases.

None of these have produced conclusive proof, however, as indeed this is virtually impossible in the absence of any witnesses and with a sophisticated police force who understand precisely how to cover up any possible evidence. In view of the general fear, it is very difficult to get any of this out into the open.

It should be stated here that blacks, as a rule, may be struck during interrogation, whilst whites, as a rule, do not have to fear this kind of treatment. Yet, there are whites who have been tortured and I also know of blacks who have not been tortured.

There are special rooms at various police stations and prisons which are set aside for such "sessions" which are specially equipped to prevent any sound from getting outside. I have seen such rooms myself at the security police offices at Kompol in Pretoria.

Various policemen are well known for their particular methods or techniques. It is also abundantly clear that the same methods are not being used on any large number of people in order to avoid evidence from ever being corroborated should such matters get into a court. Therefore, different methods are used on different people.

The imaginary chair by which a person must keep himself in a position as if he was sitting on a chair by leaning with his back against a wall, is used fairly often. If he cannot remain in this position for long enough, he is struck or, alternatively, one policeman will cause the victim to fall whilst the other warns him against falling because that would result in him being struck.

Other methods include fake strangulation, blindfolding a person and then putting their head under water repeatedly and electric shock treatment by connecting electrical wires to various parts of the body, whilst the victim is put under a cap which prevents him from seeing anything around him. I am here only reporting on matters which have been told to me by more than two people who have had to endure the same methods.

It will be appreciated that what I have told you may cause even greater hardship for detained people or for those who have been my informants. I should add that some of my information stems from people who are now living in exile.

MOTIVATION FOR MAKING ALLEGATIONS

My motivation in making these serious allegations, which may, I am fully aware, have serious consequences for those at the mercy of the police, stems from my hope that pressure will be brought to bear on the South Africa Government in order to prevent further torture in South African prisons. I hope that such pressure will come from high-up sources and will bring some level of protection to friends and colleagues who are facing despair at this very moment.

MYSTERY SURROUNDING DEATH INVESTIGATIONS

Finally, whilst on this subject, I wish to make mention of the mysteries which surround the investigations into the various deaths which have happened in detention cells. This year alone, two have died. In January, Joseph Mdluli died in a Durban jail and in July, Mapetla Mohapi died in a jail in the Eastern Cape. In both cases, it is abundantly clear that the authorities are doing all in their power to prevent the truth from emerging.

Mr. Mohapi was a friend of mine. I know his wife; I knew him before he was detained on a previous occasion; I know that he was not at all broken or intimidated when he came out of jail at that time. In fact, he went to attend a SASO conference and was elected permanent organizer. Later, he was banned, but he still continued to carry on with the community work which he was doing.

Information about his condition when he was in jail this time suggests that he was in good spirits until days before his death. Since this has happened, the doctor who attended the post mortem, Dr. Ramphele, has also been detained.

The most important aspect to realize regarding these deaths is that there is general disbelief amongst the majority of the people of South Africa when the police issue statements which are suggesting that the person concerned committed suicide.

ARRESTEES

Besides the increasing number of detainees which the South African Government is holding against all democratic principles, one other group has to be mentioned. Since June 16, it is estimated that a total of 4,000 to 5,000 people have been arrested. Some of these have been charged, some have already been sentenced, whilst yet others have been released again.

A large number are still being held. It seems to be the intention of the authorities to lay various common law charges against these people for their part in the unrests; but it would appear that they are not meant to be charged under the political laws.

LESSONS LEARNED FROM UPRISINGS

I wish to return to the uprisings in the various black residential areas and the lessons which must be drawn from these. The official list of the dead is rising. I have put it to you that this figure is totally incorrect and that it only serves to minimize the real extent of the violence which has happened.

The South African Government has a vested interest in keeping the figure down. They have made a bad experience before, when the Sharpeville shootings occurred. Then the figure was also depressed, but the consequences for the government were severe.

This time, the official toll has had to reach a figure five times that of the Sharpeville victims, but curiously the consequences for the apartheid rulers have not been so drastic this time; but probably this should not be seen as being curious at all.

It is my view that in the economic sphere and with regard to international diplomatic pressure, there is a clear distinction between the Sharpeville event and the Soweto events.

Pressure and censure from North America and Europe has been less. In fact, was probably not even expected by the South African rulers at this time, because the stake which these countries have in South Africa in the meantime has grown and South Africa's rulers expect to be helped and bailed out when the going is rough for them.

In this connection, the economic ties are mainly responsible for this attitude. Real change cannot be in the interest of those who have vast investments in South Africa because change might bring insecurity and unpredictable events which are in conflict with profits and high returns which South Africa has had to offer in the past. There are, of course, other developing ties as well, especially in the developing links which the NATO [North Atlantic Treaty Organization] is seeking with South Africa.

FOREIGN INVESTMENT

As one American businessman said to the Johannesburg Star when asked how he reacted to the unrest in Soweto, he said that he was not disturbed at all because South Africa belonged to one of those areas on the globe where investors expected a certain amount of trouble. He was sure that the government was strong enough to contain it—although the government was probably not seen as strong enough in 1960, after Sharpeville.

He went on to say that this would not change his attitude toward investments, especially since he felt that the returns on capital invested were still more favorable then elsewhere.

Here we have to do with a totally immoral attitude which shows that more investments and the extensive sale of military equipment to South Africa have strengthened the power of the South African Government considerably in comparison to 1960. In other words, the resistance to change is actually enhanced by the increased foreign engagement in South Africa.

We as South Africans cannot tolerate such a situation. We witness a situation where further engagement over the last 16 years has actually made the resistant factors greater. We can measure this precisely if we compare the two events. I believe that the utterings of this particular businessman are fairly typical of most investors in our country.

There are, however, indications which investors need to heed in due course, despite the fact that they seem to be immune to any moral or humane considerations. The fact that a Minister in the West German Cabinet has said that investments in the South African economy can

no longer be regarded as necessarily in their own interests is an important pointer.

He certainly would not be the first one to issue such a warning, if he did not have good grounds for this. He was reportedly referring to the long term danger in a country which might have increasing labor unrest and also the fact that the time would come when investors will have to choose between trade with Africa as a whole, or with South Africa. Especially when the trade with Africa will expand and will grow in volume, this consideration will become relevant. For rather negative reasons, they would bring pressure to bear on the South African Government.

More recently, Minister Vander Stoel of the Dutch Government made a similar statement, arguing that the Netherlands would have to choose between Africa and South Africa in its trade and that it would become impossible to have both markets at their avail.

CALLS FOR FOREIGN INVESTMENT WITHDRAWAL

From within South Africa, there have been important calls for the withdrawal of foreign investment. These are well known and I shall not quote these here. I refer to three such statements, emanating from three organizations, which have shown that they enjoy considerable support amongst the people of South Africa.

I refer to the African National Congress whose leader, Luthuli, made a declaration in the 1950's already. In this connection I wish to remind you of the fact that the ANC is a banned organization in South Africa, but when recently it called for a strike in South Africa, it was remarkably successful in keeping workers at home.

I also refer to the South African Student Organization, SASO, and to the Black Peoples' Convention, BPC, who have both adopted resolutions expressing their views against investment. Both organizations have shown in recent months that they enjoy considerable support amongst large sections of the South African population in virtually all parts of the country.

All three organizations suffer excessively under the repression of the South African laws. In spite of this, they have shown that they have a high acceptance among the people of South Africa.

When Sharpeville happened, the confidence of the business community in the stability of the South African economy was weak and as a result, the stock exchange crashed immediately. Afterwards, immense problems had to be faced by the South African Government to attract new finance from overseas to develop the economy.

At that time, the South African Government was vulnerable and whilst it was not put under pressure at that time, it is less vulnerable now and, consequently, is less likely to respond to any pressure.

In the meantime, the real dangers of the situation, which are increasing and which hold in store an even more likely and, therefore, even large racial confrontation need to be faced. If such a confrontation is to be avoided at all, real and significant pressure needs to be applied.

The system as we face it now must not be strengthened in any further way. The South African Government as the major source of evil in southern Africa, which also happens to be so powerful that it can

determine the events and policies it wishes to affect, must not be strengthened any further.

For it not to be strengthened any further total and immediate withdrawal of investments must be enforced; a total arms embargo must be imposed; and a total embargo on nuclear technology must be imposed.

I believe these are the central issues which need to be faced by the United States as much as by the European governments if they want to avoid a bigger confrontation and if they want to cease strengthening the major source of the problem and the evil in southern Africa.

Additional strength in these three fields especially have shown to strengthen the power structure of the white minority. The more it is strengthened, the less is it likely to make concessions and hand over power to all the people of South Africa.

To immediately stop all foreign investment is a significant contribution toward peaceful change in an already explosive situation. This is the only significant pressure which can be applied. This view has long been advocated by the black organizations I have already mentioned. These organizations enjoy great support amongst the people of South Africa, as I have already shown.

At this very critical juncture, I believe that the clear call for disinvestment is increasingly accepted by members and executives of the Christian Institute of Southern Africa. I subscribe to this view at this moment and I know that it will be called for by my colleagues in South Africa within a short time.

If a huge racial war is to be avoided, then the only nonviolent means which are meaningful and which can be adopted are those described above. In order for this to become effective, all governments, including that of the United States of America, should seek to implement such a measure.

IMAGE OF WESTERN POWERS

The image of Western powers is a particularly poor one in the eyes of the blacks and some whites of South Africa. The Western Powers are viewed as devious and as doubledealing when it concerns the liberation of southern Africa.

In this respect, I must state quite clearly that Mr. Kissinger's present efforts vis-a-vis southern Africa are viewed with extreme mistrust. The dialog which he and Mr. Vorster engage in is simply viewed as a delaying tactic or an attempt to diffuse the situation without being interested in any real transfer of power.

If the United States and other Western governments want to contribute to real change, which one may assume from the many statements which are so continuously made by its spokesmen at all kinds of levels, then a concrete measure such as the one I propose will have to be undertaken.

Nothing short of this will change our view that foreign powers, through their investments especially, have such strong interests in the South African economy that their fine-sounding statements are nothing more than P.R. [public relations] exercises.

To call for this measure at this particular time stems from the severe crisis which is facing us in southern Africa. It must not be underestimated; it requires concrete action. I trust that I have adequately expressed through this paper the extent of the crisis.

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CHANGES CONTRARY TO PROPAGANDA

From the arguments I have laid before you, you will realize that I do not believe that there are any changes taking place inside of South Africa, contrary to the vast propaganda which surrounds Mr. Vorster's alleged intentions. It is a widely propagated myth that changes are taking place and there is evidence that nothing is changing at all, and that apartheid is being perfected even now, bringing greater hardships.

In this connection, I would like to tell you that the word dialog in relation to South Africa enjoys no currency inside of South Africa at all. It is something which is talked about outside of South Africa; but inside South Africa, any black person knows that this was a piece of publicity which was announced nearly 2 years ago, but which nothing further has been heard about.

It should also be clear from what I have said that I believe that the events of Angola and Soweto, and so forth have hardened the feelings of whites and that the right wing amongst the whites has been strengthened.

There are many pointers in this direction. They are apparent within Mr. Vorster's cabinet, they are clear from recent election results. They are to be seen amongst English and Afrikaans youth alike, and they are obvious from the attitudes and behavior of police and authorities when they come into contact with blacks.

In concluding, I want to stress that no solution will be found in southern Africa if the real leaders of the black people are not consulted. This is true for Namibia, southern Rhodesia, South Africa.

Thank you, very much.

Senator Clark. Thank you, very much.

WITNESS

We are going to hear next from Mr. John M. Chettle, who is director for North and South America of the South Africa Foundation, an organization established to provide information abroad on South Africa and convey an internal perspective to South Africans.

Mr. Chettle's testimony will provide a view of the current situation in South Africa and changes occurring there and anything he would like to cover in this period of time.

Mr. Chettle, you may proceed.

STATEMENT OF JOHN M. CHETTLE, DIRECTOR, SOUTH AFRICA FOUNDATION, WASHINGTON, D.C.

Mr. CHETTLE. Mr. Chairman, I appear at the invitation of this committee conveyed to me by Mr. Myers, and confirmed in a letter from Senator Sparkman.

I should perhaps explain that the South Africa Foundation is a private, nongovernmental, multi-racial Foundation supported entirely by private and corporate donations. So determined is the Foundation to be independent and to be seen to be independent that, although we are a nonprofit Foundation, we have not even requested

the South Africa Government to make donations to the foundation tax-deductible.

The Foundation represents a complete cross section of all races and all shades of opinion in South Africa, ranging from those supporting the government to those bitterly opposed to it, and its trustees include religious leaders like the moderator of the Presbyterian church of South Africa, who is black, the chief rabbi of Johannesburg, and the Roman Catholic archbishop of Cape Town.

We see ourselves as having a two-fold purpose, to give facts about South Africa to the world, as truthfully and objectively as we can, and to bring the realities of international life to South Africans.

We see ourselves increasingly not merely as a research, fact-collecting and distributing body, but as a catalyst for change in South Africa itself. Although we have always avoided any participation in party politics, our president, Dr. Jan Marais, has made no secret of his conviction that change is imperative.

[The following information was subsequently supplied:]

I should note that I am registered with the Department of Justice under the Foreign Agents Registration Act as an agent of the South Africa Foundation.

In his address to the Foundation in 1975, Dr. Marais concluded with these words:

The colour of a skin cannot and should not be a reason for discrimination—nor should the many other hpyocritical comouflages. Only merit and fair civilized standards should be the basic criteria in human relations.

In his address this year, he called urgently for complete abolition of racial discrimination. The Foundation has sought through posing challenging questions to South Africans, through bringing opinion leaders to South Africa, through dialog with South Africans of all colors, and through the publications of the Foundation, to spread an awareness at all levels of South African society of the need to change.

RECENT EVENTS, CHANGES OCCURRING FOR SOUTH AFRICA

Mr. Chairman, the events of the past few months have aroused particular interest and concern in this country, and since Senator Sparkman expressed the interest of the committee in hearing evidence on this subject, I shall direct my testimony towards these recent events and the changes that are occurring within South Africa.

We South Africans have a tendency to dismiss much overseas criticism on the grounds that those making that criticism fail to understand how unique South Africa is. This reaction is true in the sense that every society is unique, and perhaps in the deeper sense that critics seldom make allowances for the unusual magnitude or complexity of our problems.

EXPERIENCE OF OTHER SOCIETIES RELEVANT TO SOUTH AFRICA

But I believe that the experience of other societies, including the United States, is relevant to our own, particularly to the events of the past few months, in a much more profound way than is usually recognized. It was that great historian of both America and France,

Alexis deTocqueville, who was the first to point out that one significance of the French Revolution was that it occurred not at the beginning of the 18th century, when the absolutism of the monarchy had been greatly tempered, when most of the feudal exactions had been removed and when 60 percent of the French peasantry owned their own land.

The paradox was, he wrote, that it was precisely in those parts of France where there had been most improvements that discontent ran highest:

> Patiently endured so long as it seemed beyond redress, a grievance comes to appear intolerable once the possibility of removing it crosses men's minds. For the mere fact that certain abuses have been remedied draws attention to the ills and they now appear more galling; people may suffer less, but their sensibility is exacerbated.

Indeed deTocqueville's thesis provides an analogy the force of which should be familiar to Americans. For it was not during the years of greatest black oppression here in the United States that black Americans rose in revolt. As Prof. Edward Banfield has pointed out, for 20 years prior to July 18, 1964, there were few riots by blacks, and none of them was a major riot, involving several hundred rioters and lasting more than a day.

Rather, the worst riots occurred after the series of decisions and acts—the *Brown* v. *Board of Education* decision of 1954, the Civil Rights Acts of 1957, 1960, 1963, 1964, and the Voting Rights Act of 1965—which had largely completed the process of reversing the historical discrimination against blacks in America.

In 1966, for example, there were 11 major and 32 minor riots and in 1967, there were 25 major and 30 minor riots.

Nor were the riots in this country manifestations of widespread outrage by blacks, as elaborate surveys of black opinion have indicated.

Nor did the riots generally occur in areas where oppression nor racial discrimination or poverty were most prevalent. The worst riot occurred in Detroit which had been regarded as one of the most enlightened cities in its racial policies.

I do not think that the Kerner Commission was always successful in explaining the paradox of the greatest violence occurring in the areas where there had been the greatest progress, but in one notable passage, which might almost have come from deTocqueville, the Commission reported:

> Negroes no longer felt that they had to accept the humiliations of second-class citizenship, which consequently appeared more intolerable than ever. Ironically, it was the very successes in the legislatures and the courts, more than perhaps any other single factor, that led to intensified Negro expectations and resulting dissatisfactions with the limitations of legal and legislative programs.

I believe that a similar process has been going on in South Africa, although the actions of the South African Government have been considerably less dramatic, concerned as they too often are about dissatisfaction on the rightwing of the ruling National Party. Changes have therefore come too slowly.

There have been no great civil rights acts. Change has more often been ascribed to some nonexistent logic in previous policy than explained for what it is. This has caused critics both inside and outside

the country to dismiss the changes as merely cosmetic. But this criticism is almost precisely the reverse of the truth.

The government has sought rather to conceal the changes that have taken place than to put a false blush on them. As Harvey Tyson, editor of the opposition newspaper, The Johannesburg Star has put it:

> Each move the government has made—from mixed sport to black home ownership—has been done timidly and too late. Each change, which should have had a beneficial impact both at home and abroad, has been so disguised to be almost meaningless.

CHANGES WHICH HAVE TAKEN PLACE

In listing some of the changes which have taken place, I should point out that these should be seen in the light of conditions which have prevailed before this time in South Africa, and not merely in terms of current American practice—although even in this country it was not long ago that such changes would have been dramatic. These changes include:

The government has stated in the United Nations and the Prime Minister has reiterated that his government does not condone discrimination purely on the grounds of race or color, that such discrimination could not be defended, and that everything would be done to move away from discrimination based on race and color.

Hotels and restaurants have been invited to apply for multiracial status and already 16 motels have been totally desegregated.

There has also been desegregation in many areas of libraries and parks, and of some theaters.

Africans in so-called white areas are to be able to obtain 30-year lease holds.

Colored officers have been appointed to the army, to whom white rank and file are fully subordinate.

The government has pledged itself to eliminate wage inequality based on race.

The Prime Minister has agreed with homeland leaders to set up a panel of three economists to establish whether Africans receive a fair share of the taxes they pay in various forms.

Multiracial or multinational sport has taken place in virtually every single sport—I say virtually, although I know of no exceptions—and a decision is pending as to whether there will be desegregation of sport at the club level in one of the national sports, cricket.

There is growing consultation between blacks and whites at every level, including regular meetings with the Prime Minister and other cabinet ministers and homeland leaders, and representation of coloreds and Indians on governmental and quasi-governmental bodies like the Prime Minister's Economic Advisory Council, the Wage Board, and the Unemployment Insurance Board.

There are growing moves to open up skilled positions to black workers, moves which Roy Wilkins, head of the NAACP (National Association for the Advancement of Colored People), has called "a step in the direction of equality for South Africa's black people."

Indeed Mr. Wilkins put the change in a perspective not normally heard among South Africa's critics in the United States:

> Now the first step has been taken. There will be no return to the era when black was black and white was white. Once the door has been formally opened,

with the signing of a document by the government, no less, it may not be closed permanently. We in the United States need not assume a holier-than-thou attitude. It was only in the years of World War II that the machinists union granted working cards to blacks to permit them to build fighting planes to protect the United States.

Many of the foundation's trustees would contend that these changes do not go far enough, or are too subject to qualifications, or are too late. Many would argue that the government, until it ensures that all South Africa's peoples have effective control over their own destinies, is always going to be condemned by world opinion.

But none, I believe, would deny that these reforms are substantial and important, and that they do at least indicate a direction in which the country is moving.

Another reflection of the changes that have occurred in South Africa is provided by the National Security Council Memorandum 39, presented to the President of the United States in December 1969, and leaked to the press in 1974. This confidential memorandum laid down 14 points as illustrative of the types of actions the South African Government might take to improve relations with the United States," and its international relations generally. It is significant that, at the time that the report was leaked, the South African Government had already completed 9 of the suggested 14 actions, and others were in the process of being taken. This, despite NSSM 39 going on to say that "is it recognized that most of the foregoing are unrealistic under present circumstances, but they illustrate the direction change might be sought."

Some of the changes in South Africa's foreign policy have been even more dramatic. South Africa has engaged in dialog with a number of its black neighbors. It is estimated that it is currently giving aid of some $100 million to eight black African states. It has signed a customs agreement with the former British protectorates which is very favorable to them.

It has made it clear to the Rhodesian Government that it believes the latter should move expeditiously to grant black majority rule. And, in a move that "The Economist" has called "an abandonment of ideology, and so much more a reverse for white South Africans than allowing Rhodesia to go to the wall," South Africa has announced that Southwest Africa will receive its independence by the end of 1978.

Finally, one should note that the government, in an action that is probably unique in history, has begun the partition of the country, and the first separate black state, the Transkei, becomes independent in October of this year.

Nor have these changes gone unrecognized. The U.S. Secretary of State in an address to the ambassadors of black African states at the U.N. in September 1975, said that, "the signs of change that are visible in South Africa must be encouraged and accelerated."

The former U.S. Ambassador to the United Nations, Daniel P. Moynihan, in an interview with the editorial board of UPI (United Press International), said that there were many things about South Africa which the United States could not accept. At the same time, there had been some obvious changes in Pretoria's policies; and Mr. Moynihan claimed that they desired change to acknowledge that fact.

He said that there were South Africans who were trying to advance step by step toward greater equality. The worst thing to have happen would be to find that no one recognized anything they did; that they had no support but only the opposition they heard at home. "Who is going to act responsibly on the point, I don't know," Mr. Moynihan declared, "But I hope that the United States doesn't act irresponsibly."

INADEQUACY OF CHANGES

Now, Mr. Chairman, it is my wish to put a gloss on all of this. In my own view, the great inadequacy of all these changes, some of them the greatest significance, is that so many have appeared conditional, half-hearted and grudging, that they have all too often appeared to be carried out in response to pressure, rather than in the execution of considered government policy, that they have been accompanied by other utterances and measures, that particularly in the area of state security, which have caused many observers to doubt the honesty of the government's intentions, and that the changes have often been carried out with a heavyhanded ponderousness which appears to be the main characteristic of bureaucracies everywhere, rather than one peculiar to South Africa.

It is in this respect that the potential for frustration and anger appears to be greatest, and where the experience of France and the United States appears to be most relevant. In South Africa today, there is a sense of the momentum and irreversibility of change, tempered by the knowledge of the conditional and limited nature of each individual change, that has introduced a combustible element into the situation.

There is a sense of expectation of change not only embracing all of southern Africa, but of the personal condition of each individual. The limitations on the individual, so long enduring that they seemed almost like the limitations of nature itself, have slackened, the remnants of the system that once enveloped all the blacks seems more detestable for its waning powers.

There is a revolution going on in South Africa, but it is a revolution in the racial attitudes of people, and the growing consciousness of the rights and dignity and worth of people of all races. To see in the situation profound and unalloyed antagonism would be as inaccurate as it is in the United States.

The difference between the prosperity of blacks in South Africa and those elsewhere on the African continent is too marked to be missed, even if there were not nearly a million foreign blacks working in South Africa to remind one of it. An opinion poll taken some months ago by the leading black Johannesburg newspaper, "The World", showed that 53 percent of the blacks polled thought that the Prime Minister, Mr. Vorster, was doing a good or excellent job.

One need only to consider the results of a comparable poll on the performance of President Ford, shall we say in Harlem, to understand the magnitude of this achievement.

Now this does not mean that the foundation believes that change should stop. On the contrary, we believe that the changes which must still occur, if justice and racial harmony are to prevail, are even more far reaching. Indeed, there will never be a realistic prospect of lasting

peace in South Africa until every person, regardless of color, has an effective say in his own destiny.

It is not generally appreciated how much business in South Africa—and I include U.S. corporations investing in South Africa—have done to assist in the process of change. South Africa is the only country in the world so far as I am aware, where the business community is to the left of the government. It must be almost unique, for example, that a body like the Association of Chambers of Commerce has asked a government to allow multiracial trade unions with full bargaining rights—whereas some major corporations in the United States, which are generally regarded as enlightened, have fought against the acceptance of trade unions of any kind.

SOCIOECONOMIC POSITION OF BLACK WORKERS

For many years, in an effort to raise the entire socioeconomic position of black workers in South Africa, enlightened businessmen have been working through the Wage and Productivity Association to train black workers for new responsibilities. The Transvaal Chamber of Industries, to give another example, recently asked the government to make major concessions, political, social, and economic to blacks.

One reflection of the success of these efforts can be seen in a new survey by the Bureau of Market Research of the University of South Africa. This shows that the average income of black households in Johannesburg increased by more than 100 percent between 1970 and 1975, rising at an annual rate of 17 percent a year.

After allowing for inflation, the real living standards of blacks rose by 6.9 percent a year. By comparison with this 119 percent increase in black income, the increase in white income was 58 percent, which indicates that the black/white income gap, while still large, is closing. And the survey shows that the black consumer market in Johannesburg is worth around R649 million—about $750 million—which is four times larger than the total gross domestic product of Botswana.

POLITICS

But if I might be quite frank with members of this committee, South Africans of many political persuasions are becoming more than a little skeptical about the lack of recognition accorded these changes by critics in the United States. There are now, I believe, 47 black-ruled African states, of which all but three are either one-party states or military dictatorships.

South Africa, for all its deficiencies, has a functioning two-party—or actually three-party—system for the whites and a more restrictive ballot for blacks in their own homelands, a free and independent judiciary, and what is by common consent the freest and most outspoken press in Africa, in a continent where these institutions are pitifully rare.

It does not enhance the credibility of critics in this country when South Africans see, for example, that the Democratic Party platform, which considers in great detail various ways in which the United States can be nasty to South Africa, says not one word about the Uganda of Idi Amin.

It is seldom realized in this country that the issue in Africa, for those who value the principles of democracy, is not between white rule and black rule, but between those who respect the processes and institutions of democracy, and those who do not.

This point was put with great force by Dr. Ernest Lefever, a former senior fellow at the Brookings Institution and now director of the public policy and ethics programme at Georgetown University, of an article in the Wall Street Journal. Although he was writing about Rhodesia, his point applies with equal force to South Africa:

> Our moral schizophrenia is evident when we insist on "majority rule" in Rhodesia while not insisting on it in 34 states—in Africa—which are run, sometimes ruthlessly, by minorities. The "popular" base of these ruling elites is often far smaller than that of the ruling minority in Rhodesia. Some black elites comprise the leaders of the only permitted party, others a dozen men, and in Uganda, one man—General Amin * * * Herein lies the hypocrisy of America's split-level ethic.
>
> The Rhodesian government is not condemned because it rests on a narrow base * * * but because that base is predominantly white in an overwhelmingly black country. It makes little difference whether the Rhodesian regime is more democratic, representative or humane than many black regimes or that it operates by the rule of law, permits and responds to opposition groups, has a relatively free press, is constrained by its limited electorate, and is attempting to broaden political participation—attributes rarely present in black African countries * * * What matters is race as though the color of skin had some intrinsic relationship to basic human rights.

U.S. AFRICAN POLICY

What should be the policy of the United States in relation to Africa? It is perhaps inappropriate for a non-American to answer that question. But I do know what I think would be most courageous, the most helpful and morally the most defensible position. If the United States concludes that it is not its duty or its interest to go around the world prescribing to other countries their form of government, the subject does not arise. But if the United States is to articulate universal principles by which it is to govern its foreign policy they have to be universally applied.

It is no good condemning South Africa for breaking those principles and then, like Brer Rabbit, keeping quiet and saying nothing when black African states break them. The fact that there are black voters in the United States or black votes at the United Nations does not legitimize that abrogation of principle.

And as far as South Africa is concerned, I believe that the United States should recognize the process of change that is going on there, and as far as it is possible to do it, bearing in mind that South Africa is a sovereign independent country, it should assist the process.

In appendix B, I consider at greater length the consequences of cutting off new U.S. investment or trying to withdraw existing U.S. investment from South Africa, which has been urged by some groups, and will no doubt also be urged on this committee later in these hearings. It is sufficient to say here that not one single black leader in South Africa has urged such action, that groups from the United States which have investigated black opinion in South Africa have encountered almost unanimous black opposition to such a course of action, that it would, as Senator Robert Kennedy concluded after his own visit to South Africa, hurt the very people it was intended to help,

that—to the extent that such action is even possible—its effect on the South African economy would be limited, and that it would put the interests of the United States in that area in peril.

On the contrary, I believe that the most fruitful and rewarding action this committee could take would be to urge Americans to expand contact and investment still further, to increase the opportunities available to blacks, coloreds and Indians, to help raise their educational opportunities and standards of living, and to help widen the horizons of South Africans of all colours. Nothing could be better calculated to assist the process of change.

As George Ball wrote in 1969 in "The Discipline of Power":

> In dealing with the Communist nations, liberal opinion in the United States has adopted as its working hypothesis that social and political change can best be promoted by opening the windows and asserting maximum intercourse with the outside world. Since that seems to me a sound policy which I support . . . I fail to understand the logic of some of my liberal friends who, while passionately promoting such a policy in our dealings with the Iron Curtain countries, insist that we pursue a diametrically opposite course with respect to South Africa.
>
> How can they show that the problem in the two countries is all that different? Both South Africa and the Soviet Union remain relatively untouched by the ideas of the West, in considerable part because of their isolation, and if those ideas are to be effective instruments for change, we must break down the barriers that shut the peoples of those nations from the rest of the world.

Thank you very much, Mr. Chairman.

[Mr. Chettle's prepared statement follows:]

PREPARED STATEMENT OF JOHN CHETTLE

Mr. Chairman, I appear at the invitation of this committee conveyed to me by Mr. Myers, and confirmed in a letter from Senator Sparkman.

I should perhaps explain that the South Africa Foundation is a private, non-governmental, multi-racial foundation supported entirely by private and corporate donations. So determined is the Foundation to be independent and to be seen to be independent that, although we are a non-profit foundation, we have not even requested the South Africa government to make donations to the Foundation tax-deductible. The Foundation represents a complete cross-section of all races and all shades of opinion in South Africa, ranging from those supporting the government to those bitterly opposed to it, and its trustees include religious leaders like the Moderator of the Presbyterian church of South Africa, who is black, the Chief Rabbi of Johannesburg, and the Roman Catholic Archbishop of Cape Town.

We see ourselves as having a two-fold purpose, to give facts about South Africa to the world, as truthfully and objectively as we can, and to bring the realities of international life to South Africans. We see ourselves increasingly not merely as a research, fact collecting and distributing body, but as a catalyst for change in South Africa itself. Although we have always avoided any participation in party politics, our President, Dr. Jan Marais, has made no secret of his conviction that change is imperative.

In his address to the Foundation in 1975, Dr. Marais concluded with these words:

"The colour of a skin cannot and should not be a reason for discrimination—nor should the many other hypocritical camouflages. Only merit and fair civilized standards should be the basic criteria in human relations."

In his address this year he called urgently for complete abolition of racial discrimination. The Foundation has sought through posing challenging questions to South Africans, through bringing opinion leaders to South Africa, through dialogue with South Africans of all colors, and through the publications of the Foundation, to spread an awareness at all levels of South African society of the need to change.

Mr. Chairman, the events of the past few months have aroused particular interest and concern in this country, and since Senator Sparkman expressed the interest of the Committee in hearing evidence on this subject, I shall direct my

testimony toward these recent events and the changes that are occurring within South Africa.

We South Africans have a tendency to dismiss much overseas criticism on the ground that those making that criticism fail to understand how unique South Africa is. This reaction is true in the sense that every society is unique, and perhaps in the deeper sense that critics seldom make allowances for the unusual magnitude or complexity of our problems.

But I believe that the experience of other societies, including the United States, *is* relevant to our own, particularly to the events of the past few months, in a much more profound way than is usually recognized. It was that great historian of both America and France, Alexis deTocqueville, who was the first to point out that one significance of the French Revolution was that it occurred not at the beginning of the 18th Century, when France was a despotic monarchy and laid heavy feudal exactions on the peasantry, but at the end of that century, when the absolutism of the monarchy had been greatly tempered, when most of the feudal exactions had been removed and when 60% of the French peasantry owned their own land. The paradox was, he wrote, that it was precisely in those parts of France where there had been most improvements that discontent ran highest:

"Patiently endured so long as it seemed beyond redress, a grievance comes to appear intolerable once the possibility of removing it crosses men's minds. For the mere fact that certain abuses have been remedied draws attention to the ills and they now appear more galling; people may suffer less, but their sensibility is exacerbated."

Indeed deTocqueville's thesis provides an analogy the force of which should be familiar to Americans. For it was not during the years of greatest black oppression here in the United States that black Americans rose in revolt. As Professor Edward Banfield has pointed out, for 20 years prior to July 18, 1964, there were few riots by blacks, and none of them was a major riot, involving several hundred rioters and lasting more than a day. Rather, the worst riots occurred *after* the series of decisions and acts—the *Brown* v. *Board of Education* decision of 1954, the Civil Rights Acts of 1957, 1960, 1963, 1964, and the Voting Rights Act of 1965—which had largely completed the process of reversing the historical discrimination against blacks in America. In 1966, for example, there were 11 major and 32 minor riots and in 1967, there were 25 major and 30 minor riots.

Nor were the riots in this country manifestations of widespread outrages by blacks, as elaborate surveys of black opinion have indicated.

Nor did the riots generally occur in areas where oppression or racial discrimination or poverty were most prevalent. The worst riot occurred in Detroit which had been regarded as one of the most enlightened cities in its racial policies.

I do not think that the Kerner Commission was always successful in explaining the paradox of the greatest violence occurring in the areas where there had been the greatest progress, but in one notable passage, which might almost have come from de Tocqueville, the Commission reported:

"Negroes no longer felt that they had to accept the humiliations of second-class citizenship, which consequently appeared more intolerable than ever. Ironically, it was the very successes in the legislatures and the courts, more than perhaps any other single factor, that led to intensified Negro expectations and resulting dissatisfactions with the limitations of legal and legislative programs."

I believe that a similar process has been going on in South Africa, although the actions of the South African government have been considerably less dramatic, concerned as they too often are about dissatisfaction on the right-wing of the ruling National Party. Changes have therefore come too slowly. There have been no great civil rights acts. Change has more often been ascribed to some non-existent logic in previous policy than explained for what it is. This has caused critics both inside and outside the country to dismiss the changes as merely cosmetic. But this criticism is almost precisely the reverse of the truth. The government has sought rather to conceal the changes that have taken place than to put a false blush on them. As Harvey Tyson, eidtor of the opposition newspaper, The Johannesburg Star, has put it:

"Each move (the Government) has made—from mixed sport to black home ownership—has been done timidly and too late. Each change, which should have had a beneficial impact both at home and abroad, has been so disguised to be almost meaningless."

In listing some of the changes which have taken place, I should point out that these should be seen in the light of conditions which have prevailed before this time in South Africa, and not merely in terms of current American practice—although even in this country it was not long ago that such changes would have been dramatic. These changes include:

The Government has stated in the United Nations and the Prime Minister has reiterated that his Government does not condone discrimination purely on the grounds of race or color, that such discrimination could not be defended, and that everything would be done to move away from discrimination based on race and color.

Hotels and restaurants have been invited to apply for multiracial status and already 16 hotels have been totally desegregated.

There has also been desegregation in many areas of libraries and parks, and of some theatres.

Africans in so-called white areas are to be able to obtain 30-year lease holds.

Colored officers have been appointed to the army, to whom white rank and file are fully subordinate.

The Government has pledged itself to eliminate wage inequality based on race.

The Prime Minister has agreed with homeland leaders to set up a panel of three economists to establish whether Africans receive a fair share of the taxes they pay in various forms.

Multi-racial or multi-national sport has taken place in virtually every single sport (I say "virtually," although I know of no exceptions), and a decision is pending as to whether there will be desegregation of sport at the club level in one of the national sports, cricket.

There is growing consultation between black and whites at every level, including regular meetings with the Prime Minister and other cabinet ministers and homeland leaders, and representation of coloreds and Indians on governmental and quasi-governmental bodies like the Prime Minister's Economic Advisory Council, the Wage Board, and the Unemployment Insurance Board.

There are growing moves to open up skilled positions to black workers, moves which Roy Wilkins, head of the NAACP, has called "a step in the direction of equality for (South Africa's) black people."

Indeed Mr. Wilkins put the change in a perspective not normally heard among South Africa's critics in the U.S.:

"Now the first step has been taken. There will be no return to the area when black was black and white was white. Once the door has been formally opened, with the signing of a document by the Government, no less, it may not be closed permanently.

"We in the United States need not assume a holier-than-thou attitude. It was only in the years of World War II that the machinists union granted working cards to blacks to permit them to build fighting planes to protect the United States."

Many of the Foundation's trustees would contend that these changes do not go far enough, or are too subject to qualifications, or are too late. Many would argue that the Government, until it ensures that all South Africa's peoples have effective control over their own destinies, is always going to be condemned by world opinion. But none, I believe, would deny that these reforms are substantial and important, and that they do at least indicate a direction in which the country is moving.

Another reflection of the changes that have occurred in South Africa is provided by the National Security Council Memorandum 39 presented to the President of the United States in December 1969, and leaked to the press in 1974. This confidential memorandum laid down 14 points as illustrative of "the types of actions (the South African) government might take to improve relations with the United States," and its international relations generally. It is significant that, at the time that the report was leaked, the South African government had already completed nine of the suggested 14 actions, and others were in the process of being taken. This, despite NSSM 39 going on to say that "it is recognized that most of the foregoing are unrealistic under present circumstances but they illustrate the direction change might be sought."

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black African states. It has signed a customs agreement with the former British protectorates which is very favorable to them. It has made it clear to the Rhodesian government that it believes the latter should move expeditiously to grant black majority rule. And, in a move that The Economist has called "an abandonment of ideology, and so much more a reverse for white South Africans than allowing Rhodesia to go to the wall," South Africa has announced that South West Africa will receive its independence by the end of 1978. Finally, one should note that the Government, in an action that is probably unique in history, has begun the partition of the country, and the first separate black state, the Transkei, becomes independent in October of this year.

Nor have these changes gone unrecognized. The U.S. Secretary of State in an address to the ambassadors of black African states at the U.N. in September, 1975 said that, "the signs of change that are visivble in South Africa must be encouraged and accellerated."

The former United States ambassador to the United Nations, Daniel P. Moynihan, in an interview with the editorial board of UPI, said that there were many things about South Africa which the United States could not accept. At the same time there had been some obvious changes in Pretoria's policies; and Mr. Moynihan expressed the view that there was an obligation on countries that claimed that they desired change to acknowledge that fact. He said that there were South Africans who were trying to advance step by step toward greater equality. The worst thing to have happen would be to find that no one recognized anything they did; that they had no support but only the opposition they heard at home. "Who is going to act responsibly on the point I don't know," Mr. Moynihan declared, "but I hope that the United States doesn't act irresponsibly."

Now, Mr. Chairman, it is not my wish to put a gloss on all of this. In my own view, the great inadequacy of all these changes, some of them the greatest significance, is that so many have appeared conditional, half-hearted and grudging, that they have all too often appeared to be carried out in response to pressure rather than in the execution of considered Government policy, that they have been accompanied by other utterances and measures, particularly in the area of state security, which have caused many observers to doubt the honesty of the Government's intentions, and that the changes have often been carried out with a heavy-handed ponderousness which appears to be the main characteristic of bureaucracies everywhere, rather than one peculiar to South Africa. It is in this respect that the potential for frustration and anger appears to be greatest, and where the experience of France and the United States appears to be most relevant. In South Africa today, there is a sense of the momentum and irreversibility of change, tempered by the knowledge of the conditional and limited nature of each individual change, that has introduced a combustible element into the situation. There is a sense of expectation in the air, of dreams yet unfulfilled, of hopes still deferred, of change not only embracing all of Southern Africa, but of the personal condition of each individual. The limitations on the individual, so long enduring that they seemed almost like the limitations of nature itself, have slackened. The remnants of the system that once enveloped all the blacks seems more detestable for its waning powers.

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process of change. South Africa is the only country in the world, so far as I am aware, where the business community is to the left of the government. It must be almost unique, for example, that a body like the Association of Chambers of Commerce has asked a government to allow multi-racial trade unions with full bargaining rights—whereas some major corporations in the United States, which are generally regarded as enlightened, have fought against the acceptance of trade unions of any kind. For many years now, in an effort to raise the entire socio-economic position of black workers in South Africa, enlightened businessmen have been working through the Wage and Productivity Association to train black workers for new responsibilities. The Transvaal Chamber of Industries, to give another example, recently asked the government to make major concessions, political, social, and economic to blacks. One reflection of the success of these efforts can be seen in a new survey by the Bureau of Market Research of the University of South Africa. This shows that the average income of black households in Johannesburg increased by more than 100 percent between 1970 and 1975, rising at an annual rate of 17 percent a year. After allowing for inflation, the real living standards of blacks rose by 6.9 percent a year. By comparison with this 119 percent increase in black income the increase in white income was 58 percent, which indicates that the black/white income gap, while still large, is closing. And the Survey shows that the black consumer market in Johannesburg is worth around R649,000,000 (about $750,000,000) which is four times larger than the total gross domestic product of Botswana.

But, if I might be quite frank with members of this committee, South Africans of many political persuasions are becoming more than a little skeptical about the lack of recognition accorded these changes by critics in the United States. There are now, I believe, 47 black-ruled African states, of which all but three are either one-party states or military dictatorships. South Africa, for all its deficiencies, has a functioning two-party (or actually three-party) system for the whites and a more restrictive ballot for blacks in their own homelands, a free and independent judiciary, and what is by common consent the freest and most spoken press in Africa, in a continent where these institutions are pitifully rare.

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It is seldom realized in this country that the issue in Africa, for those who value the principles of democracy, is not between white rule and black rule, but between those who respect the processes and institutions of democracy and those who do not. This point was put with great force by Dr. Ernest Lefever, a former Senior Fellow at the Brookings Institution and now Director of the Public Policy and Ethics Programme at Georgetown University, in an article in the Wall Street Journal. Although he was writing about Rhodesia, his point applies with equal force to South Africa:

"Our moral schizoprenia is evident when we insist on 'majority rule' in Rhodesia while not insisting on it in 34 states (in Africa) which are run, sometimes ruthlessly, by minorities. The 'popular' base of these ruling elites is often far smaller than that of the ruling minority in Rhodesia. Some black elites comprise the leaders of the only permitted party, others a dozen men, and in Uganda one man—General Amin . . . Herein lies the hypocrisy of America's split-level ethic.

"The Rhodesian government is not condemned because it rests on a narrow base ... but because that base is predominantly white in an overwhelmingly black country. It makes little difference whether the Rhodesian regime is more democratic, representative or humane than many black regimes or that it operates by the rule of law, permits and responds to opposition groups, has a relatively free press, is constrained by its limited electorate, and is attempting to broaden political participation—attributes rarely present in black African countries ... What matters is race as though the color of skin had some intrinsic relationship to basic human rights."

What should be the policy of the United States in relation to Africa? It is perhaps inappropriate for a non-American to answer that question. But I do know what I think would be most courageous the most helpful and morally the most defensible position. If the U.S. concludes that it is not its duty or its interest to go around the world prescribing to other countries their form of government,

the subject does not arise. But if the United States is to articulate universal principles by which it is to govern its foreign policy they have to be universally applied. It is no good condemning South Africa for breaking those principles and then, like Brer Rabbit, keeping quiet and saying nothing when black African states break them. The fact that there are black voters in the United States or black votes at the United Nations does not legitimize that abrogation of principle.

And as far as South Africa is concerned, I believe that the United States should recognize the process of change that is going on there, and as far as it is possible to do it, bearing in mind that South Africa is a sovereign independent country, it should assist the process.

In Appendix B I consider at greater length the consequences of cutting off new U.S. investment or trying to withdraw existing U.S. investment from South Africa, which has been urged by some groups, and will no doubt also be urged on this committee later in these hearings. It is sufficient to say here that not one single black leader in South Africa has urged such action, that groups from the United States which have investigated black opinion in South Africa have encountered almost unanimous black opposition to such a course of action, that it would, as Sen. Robert Kennedy concluded after his own visit to South Africa, hurt the very people it was intended to help, that (to the extent that such action is even possible) its effect on the South African economy would be limited, and that it would put the interests of the U.S. in that area in peril.

On the contrary, I believe that the most fruitful and rewarding action this committee could take would be to urge Americans to expand contact and investment still further, to increase the opportunities available to blacks, coloreds and Indians, to help raise their educational opportunities and standard of living, and to help widen the horizons of South Africans of all colours. Nothing could be better calculated to assist the process of change.

As George Ball wrote in 1969 in "The Discipline of Power":

"In dealing with the Communist nations, liberal opinion in the United States has adopted as its working hypothesis that social and political change can best be promoted by opening the windows and assuring maximum intercourse with the outside world. Since that seems to me a sound policy which I support . . . I fail to understand the logic of some of my liberal friends who, while passionately promoting such a policy in our dealings with the Iron Curtain countries, insist that we pursue a diametrically opposite course with respect to South Africa. How can they show that the problem in the two countries is all that different? Both South Africa and the Soviet Union remain relatively untouched by the ideas of the West, in considerable part because of their isolation, and if those ideas are to be effective instruments for change, we must break down the barriers that shut the peoples of those nations from the rest of the world."

Appendix A

What Are U.S. Interests in South Africa?

These are some thoughts on certain aspects of this subject, and they do not attempt to be exhaustive.

It is not always appreciated that South Africa has become a very considerable industrial, commercial and agricultural power: it produces more energy than France or Italy, as much crude steel as France, Sweden and East Germany, more corn than Canada, more wool than the United States, more wine than Greece, more fish than Britain. As Fortune pointed out several years ago, the Witwatersrand industrial complex is the largest south of Turin.

It towers economically over the African continent. Although it covers just four percent of the area of the continent, and has less than six percent of its people, it accounts for more than a quarter of the Gross National Product of the entire continent.

Investment.—It has always been punctilious in its attitude to foreign investment, including that of the United States, with the result that U.S. invesment, at the end of 1974, was $1,467 billion. Even more significant is the fact that, as a result of new investment, the reinvestment of profits, and the nationalization of U.S. corporations elsewhere in Africa, U.S. investment in South Africa, as a proportion of investment in sub-Saharan Africa, grew dramatically in the last years for which we have figures, 1972–1974. In 1972 that proportion was 38 percent; by 1974 it was 56 percent. The repatriation of the profits of these enterprises has also been significant.

Raw materials.—Of even more concern to the United States, in the aftermath of the events of 1973, has been the access of the United States to South African mineral resources. South Africa has been called, by one authority, the "Saudi-Arabia of the 1980's," in reference not merely to the size of South Africa's mineral reserves, but to the fact that, like Saudi-Arabia's oil reserves, and unlike those of the United States, South Africa's production is to a considerable extent available for world distribution. The following table illustrates South Africa's importance in this respect:

SOUTH AFRICAN RESERVES (PERCENTAGE OF TOTAL WORLD RESERVES)

Commodity	World ranking	Percentage	
		World	Non-Communist world
Platinum group metals	1	86	95
Chrome ore	1	83	90
Vanadium	1	64	74
Gold	1	49	70
Manganese ore	1	48	73
Fluorspar	1	46	----------
Nickel	3	10	----------
Uranium	4	17	30
Zinc	4	9	----------
Phosphate rock	4	8	----------
Asbestos	5	10	14
Antimony	5	4	15
Lead	5	4	----------
Iron ore	6	4	----------
Coal	6	2	----------
Copper	10	2	----------

Source: South African Department of Mines.

South Africa ranks with the U.S., Canada and the U.S.S.R. as one of the four major suppliers of minerals to the whole world. The above figures do not include the recent discoveries of copper, lead, zinc and silver in the north-west Cape Province. The extent of these deposits is not yet determined, but the Minister of Mines said in August 1975 that nothing like the Aggenys-Gamsberg find in size and mineral values had been discovered anywhere in the world.

The importance of these mineral supplies to the United States can be seen from the following table, showing:

Key minerals exported from South Africa as a percentage of United States imports

Antimony ore	43
Chrome	30
Ferrochrome	35
Copper	6
Ferromanganese	36
Platinum group metals	48
Vanadium	57
Vermiculite	100
Chromite	21

Source: South African Department of Mines.

The exports of uranium and platinum are not disclosed.

South Africa is the major supplier of seven out of the 20 minerals of which the U.S. imports more than 50 percent of its requirements. The significant aspect of this fact, according to one authority, is that, if the supply of minerals from South Africa were interrupted by a lack of commitment or a lack of competence on the part of a South African government to supply the United States, it would be much easier to form a cartel in certain commodities. If a Russian-backed regime were ever to take over the government of South Africa, it would mean that the Soviet Union would control 90 percent of the platinum, 75 percent of the manganese and 80 percent of the gold, 60–80 percent of the diamond, 50 percent of the chrome and 50 percent of the copper production of the world.

The extent to which South Africa alone produces significant quantities of world production is indicated by the next table.

SOUTH AFRICAN MINERAL PRODUCTION AS EXPRESSED AS A PERCENTAGE OF TOTAL WORLD PRODUCTION

Commodity	World ranking	Percentage	
		World	Non-Communist world
Vanadium	1	61	----
Gold	1	59	77
Platinum	1	55	87
Antimony	1	21	32
Chrome ore	2	30	48
Manganese	2	24	32
Diamonds (gems and industrial)	3	16	32
Uranium	3	13	15
Asbestos	3	10	12
Nickel	7	3	36
Fluorspar	8	5	----
Coal	9	2	----

Source: South African Metals Bureau, Department of the Bureau of Mines.

Various other points arise from South Africa's important position in the production of raw materials:

(a) Dr. Peter Janke of the Institute for the Study of Conflict in London has pointed out that in 10 years time reliable estimates show South Africa replacing Canada as the non-Communist world's second largest producer of uranium.

(b) As long ago as 1957, a Soviet Major General A. N. Lagovskiy, a specialist in economic warfare, wrote in Strategy and Economics that modern armaments are dependent on certain critical raw materials such as chrome, platinum, nickel, cobalt and titanium. He draws attention to the fact that the U.S. has almost no chrome of its own, and that that mineral is essential for the production of alloys for jet engines, gas turbines, guns, armour-piercing projectiles, and other high technology weapons systems. General Lagovskiy called his discovery the "weak link" principle, and he believed that the Soviet Union should exploit this western weakness. The significance of this is that apart from southern Africa, the U.S. has to import that raw material from the U.S.S.R. itself.

Trade.—U.S. exports to South Africa in 1975 were $1.3 billion and its imports were $845 million. The favorable balance of trade, according to U.S. figures, is $462 million a year, or more than $1 million a day. In recent times, when the usual favorable balance of U.S. trade with the world has diminished, the favorable balance of trade with South Africa has been as much as 39 percent of that overall balance.

No estimate has been made of the number of jobs in the U.S. that depends on that trade, but if a conservative estimate of one job for every $20,000 worth of trade is taken, then some 66,000 jobs depend directly on that trade, and more of course, if one considers the multiplier effect.

South Africa took 31 percent of all U.S. exports to Africa in 1975.

The refusal of the United States to give Exim Bank financing for projects in South Africa has curtailed some profitable trade. The recent problems over the supply of a nuclear reactor led to South Africa accepting a bid from a French consortium, which deprived the United States of trade worth several hundreds of million dollars, and meant that 4,000 jobs in the Los Angeles area were lost.

Technological.—There are a number of processes developed in South Africa which are of significance to the United States. South Africa has perfected certain techniques in the oil-from-coal gasification process which have been licensed by producers in Wyoming and Montana to develop the major coal-shale deposits in those states.

South African scientists have developed a new process for enriching uranium which is estimated to be one-third cheaper than existing processes. South Africa has offered to share these processes with friendly nations. The relationship between the United States and South Africa under the Atoms for Peace program was thought important, according to NSSM-39, "in influencing South Africa to continue its policy of doing nothing in the marketing of its large production of uranium oxide which would have the effect of increasing the number of nuclear

weapons powers." Recent developments strengthen the importance of this consideration.

Techniques of water purification developed in South Africa were of importance in saving the tanning industry in Georgia and Pennsylvania.

Defence.—This is an important and complicated subject, which has already received a good deal of attention in the United States. This analysis serves merely to mention some of the salient points:

(1) The overwhelming military and strategic superiority enjoyed by the United States since the Second World War has largely disappeared. The caution shown by the Soviet Union during that period may well also be subject to change.

(2) The Soviet Union has kept a sizeable and gradually growing force of surface warships in the Indian Ocean, plus supply ships and an unknown number of submarines, ever since 1968. It has a considerably larger force continuously in the Indian Ocean than the U.S. has. This gives it the power to act both strategically and tactically.

(3) Eighty percent of Western Europe's oil supplies, and a growing proportion of those of the United States, pass through the waters of the Indian Ocean and round the Cape. Seventy percent of the strategic materials used by the NATO powers travel the same route.

(4) Even the opening of the Suez Canal, or its widening, does not significantly diminish this dependence. Between 80 and 90 percent of the ships now being built weigh more than 200,000 tons and have a draft in excess of 60 feet, compared with the present draft of the Suez Canal of 38 feet.

(5) The Canal remains highly vulnerable, and has been closed for more than half the time since the Second World War.

(6) The Cape route has become "the most crowded shipping lane in the world" according to Patrick Wall ("The Vulnerability of the West in the Southern Hemisphere," Strategic Review Vol IV, Winter 1976). While the Canal was closed 26,000 ships rounded the Cape every year, 12,000 of them calling at South African ports.

(7) The Soviet Union has established substantial bases in Somalia and Guinea, and appears to be increasing its ability to act along this route.

(8) The area is highly unstable politically. Britain has intervened east of the Suez 25 times since the Second World War.

(9) Prof. Laurence Martin of the University of London, has noted that in "the event of conventional war, the facilities of the Cape would be of irreplaceable value. Other minor anchorages exist up the East African coast and in Mauritius, but only South Africa offers an ideal position: elaborate dock yard facilities backed by an industrial hinterland, a small but efficient local navy, modern communications facilities, and a fair degree of political reliability." (Arms and Strategy", New York, 1973, p. 229).

(10) There are other scenarios of events short of conventional warfare which would threaten the Cape route—e.g. a Soviet blockade analogous to the Cuban missile crisis in reverse, or a transfer to Soviet clients of weapons capable of threatening Western shipping.

(11) During the Vietnam War, destroyers based on the east coast of the United States made heavy use of Luanda, Angola and Maputo, Mozambique on their way to Vietnam, due to U.S refusal to use harbors in South Africa. The time required en route for refueling added two weeks to the voyage, and the 2800 mile gap between Luanda and Maputo left the destroyers dangerously low on fuel. The opening of the Suez Canal has relieved this problem, but if the Canal were again to be closed, it is unlikely that the United States could depend on the hostile Marxist governments of Angola and Mozambique. The U.S. is, in fact, losing access to bases along the Cape route.

(12) This is also a danger in the air routes from the U.S. and Europe to the Indian Ocean.

(a) The route via Libya and the Sudan is unlikely to be open for military aircraft even in peacetime.

(b) The route through the Mediterranean and over Turkey and Iran depends not only on the continued stability and favor of those countries (brought into question by the recent denial of U.S. arms to Turkey), but on the continued availability of the U.S. base in the Azores. It is open to question whether this base or Turkish airspace could be used for any purpose not connected with NATO requirements.

(c) The route via the Pacific is very long and expensive, particularly if men and equipment have to be brought from the eastern seaboard of the U.S. There would be massive logistical problems involved.

(d) The route around Africa, through the Republic of South Africa, has proved invaluable on a number of occasions including during the Sino-Indian border war.

(13) South Africa is a strongly anti-Communist nation, and, despite the U.S. arms embargo and refusal to use her ports, has continued to assert its readiness to allow U.S. use of her facilities, and to pass on intelligence information. But, as Hanson Baldwin, Military Editor of the New York Times, wrote in 1970:

"Thus an important base on a key maritime route is presumably available to the West—so long as the Afrikaner Government of South Africa, irked by Western pressures against its policy, does not renege."

Appendix B

How Much Leverage Does the U.S. Have Over South Africa? Some Preliminary Comments

Recent statements by the Democratic Party nominee, Gov. Carter, have suggested that he believes that the United States should use its "leverage" to bring about change in South Africa. It is not clear what kind of leverage or what kind of change he has in mind. If he is simply thinking of the kind of influence exerted by progressive American companies in recent years in instituting equal pay for equal work, irrespective of race, or in contributions to African education, or in training African and colored workers to bring them into skilled and managerial positions, then one can only applaud such a policy.

But when one examines the Democratic Party platform, which lays down a policy of unequivocal support for majority rule, refusal of recognition to the Transkei, a tightened arms embargo, a refusal of tax credits to U.S. corporations doing business in Namibia (South West Africa) and of such credits to corporations doing business in South Africa and Rhodesia as well "who support or participate in apartheid practices and policies"—whatever that may mean—one may conclude that he has other forms of leverage in mind.

In fact, it would appear that this is a return to what one had thought was the discredited policy of harassment of the Kennedy and Johnson years. Certainly the policy was drafted by people whose contact with South African conditions has been minimal, and who are clearly influenced by the same intellectual baggage that accompanied the Kennedy and Johnson Administrations.

When the National Security Council Staff examined U.S. policy towards South Africa in 1969, it found that there had never been a thorough study of the matter, that policy papers were vague and woolly, and that decisions had been made in an ad hoc manner. After intensive discussion throughout the Executive Branch, it became clear that the policy of harassment had failed. For one thing, it had already been tried, and in a measure that makes the Carter proposals look rather meager: the arms embargo had been broadened to include airplanes made with American engines in France and trucks made with American spare parts in Canada; the U.S. had refused, contrary to the Constitution of the IMF, to permit South Africa to sell gold to that body; the U.S. had declared to the Security Council that S.A. constituted "a threat of the peace;" it had used its influence to have South Africa's control over South West Africa declared illegal: South Africa was subjected to curbs on capital exports that applied only to the richest nations of Europe; and so on. The net effect of all these measures had been to drive the South African government into ever more intransigent isolation, in which it was supported by the bulk of the South African electorate, to remove whatever influence the United States had over South Africa's actions, and to give African nations the impression, totally belied by the reality both then and now, that the United States was prepared to use armed force to overthrow the South African government. The net effect of the arms embargo was not only to deprive the United States of considerable sales, and to reduce the security of a strategic area from the U.S. point of view, but also to force South Africa to develop a substantial arms

industry and to turn to other sources of supply, notably France. The refusal of the United States' naval ships to go into and use South African ports simply meant that U.S. taxpayers had to pay higher defense costs for refueling ships to be stationed off the South African coast, it denied American sailors the recreation of South African ports and it ran the risk that South Africa would shut its ports to the U.S. All in all, it was a futile policy, and was recognized by the NSC staff as being so.

Moreover, the earlier policy makers recognized another truth which seems to have escaped Mr. Carter's advisors, namely that the United States did not have great leverage over South Africa. The belief that there is such leverage appears to neglect some rather stubborn facts. The balance of trade between the United States and South Africa is in favor of the United States, not South Africa. In recent years it has been running at a rate of half a billion dollars a year and more, or more than $1 million a day, in favor of the United States. Moreover, some of South Africa's exports to the United States are not readily obtainable from other sources. In fact, they include some raw materials that are vital to the United States. Indeed, one of the conclusions that a more careful analysis of the position would have brought is that U.S. dependence on South African raw materials is actually increasing, not liable to decrease.

Leverage is not much greater as far as U.S. investment is concerned. United States investment is only about 15% of the total foreign investment in South Africa, and as Ambassador George Kennan pointed out some years ago, many other countries would stand ready to take up the investment, even if one disregarded South Africa's own internal investment resources.

Nor would it be easy to see how disinvestment could be accomplished. For this analysis, we shall ignore the difficulties which would be involved merely in getting the requisite legislation through the Congress. As far as South Africa is concerned, the South African government permits the free repatriation of profits, but not of capital. To remove U.S. capital, assuming that South African government did not change the law to prevent it, U.S. corporations would have to sell their South African affiliates, with goodwill, stocks and physical equipment (no doubt, since they would be compelled to do so, at a knock-down price), and to invest for at least five years in South African government securities. In the meanwhile South African and foreign corporations would be able to pick up bargains, and ironically, for five years U.S. corporations would be a major factor in assisting South African government finance. It is highly unlikely that any physical removal of plant and machinery would be permitted.

There would presumably be temporary dislocations for the 95,000 workers, including about 60,000 black workers, in majority-owned U.S. enterprises, and if one calculates that each worker has four dependents, it might bring about some misery for 300,000 black people, which would, of course, be a consideration if church groups pressing for such disinvestment ever paused to consider such things. But it would not bring down the South African economy.

Would it be possible, then, for the United States to discourage its allies from investing in or trading with South Africa? The answer to this is almost certainly in the negative, because the United States was unable to exercise such pressure in relation to the much less substantial trade with Cuba, and South Africa is considerably more important to Britain, France and Germany than Cuba ever was. Indeed, if the United States were to be successful in getting such a response from its allies—and Britain has made it clear that it cannot consider such a course—it is hard to know what the impact of such a move would be on the ailing British economy.

It is clear that U.S. disinvestment would be a political blow to South Africa, that it would cause uncertainty, that it might lead other countries to hold off from new investment, that it would reduce somewhat the rate of growth of the South African economy, that it would reduce South Africa's access to U.S. technology and managerial competence, that it probably would cause hesitations on the capital market, and thus cause South Africa difficulties in raising capital abroad, and that it would cause black (but probably not white) unemployment, but its chief effect would be punitive, not decisive. South Africa has saved and invested approximately 25 percent of its GDP for the past decade, and although it would be disruptive if the country had to rely purely on domestic sources for investment (to the extent that access to all foreign sources were cut off by the U.S. action), and it would cause the postponement of expenditure on

infrastructural development (including development of the black areas), it could be done without terrible hardship.

Similar hardship has already been caused by the actions of the United States in relation to gold, though presumably these actions were taken without any specific intention of hurting South Africa. In its hostility to the role of gold in the international monetary system, and by using its voting power in the International Monetary Fund to cause the Fund to sell off 25 million ounces of gold, the U.S. has certainly caused South Africa considerable economic difficulties by knocking the bottom out of the gold market. But the ability of the United States to knock gold further would presumably be hampered by the fact that the central banks of most of its major allies hold considerable deposits of gold, and the value of these would be severely depreciated by this sort of action in the future. Another consideration is that the ostensible reason for selling the gold was to help developing countries, and with every dollar the price of gold declines, the assistance to those countries diminishes.

Some critics who advocate disinvestment and other punitive actions do so in the belief, avowed or not, that black misery and unemployment would serve to bring about a revolution. This belief grossly underestimates the military resources at the disposal of the government, and the resolution of the white population, whose survival would depend on their response to such a challenge.

Such critics also neglect the extent to which the interests of the U.S. would also be hurt. South Africa would certainly close its ports and its airfields to the United States. It would have to reconsider its expressed policy of refusing to participate in raw material cartels. If it were in serious danger, it would also presumably reconsider its intention not to build a nuclear weapon. Finally, it would have to reconsider its historical policy of friendship with the United States, and consider what bargaining counters it had to pursue other alternatives.

In short, it would appear that the consequences of such a course of action would be unpleasant and potentially even dangerous. And, short of future action by the United States against South Africa, it is doubtful that the approval evoked in Africa or in the United States itself would be more than temporary.

Moreover, it should be noted that black opinion in South Africa is categorically against U.S. disinvestment and against measures to prevent future investment. A group from the Polaroid Corporation consisting of two whites and two blacks reported that not one single black that they had interviewed during three weeks in South Africa had asked for the corporation to withdraw. There is not a single black leader who has asked for disinvestment, although many have stressed that they expect U.S. corporations to improve conditions for their nonwhite workers. Senator Robert Kennedy, on his return from South Africa, pointed out that disinvestment would hurt the very people it was intended to help.

To this observer, in fact, it appears as if the Carter policy is almost precisely the reverse of what is desirable in Africa. The National Security Council concluded in 1969 that what Africa needed was peace, economic progress, a reduction in racial tension and a break from super-power competition. They concluded that it was as unrealistic to expect South Africa to institute immediate majority rule as it was to expect the Soviet Union to institute the free enterprise system. The influence and moral pressure of the United States should rather therefore be directed towards something that could be attained and not something that could not, towards a relaxation of racial discrimination, and some kind of reconciliation between black and white. In short, they concluded that both black and white would be sharing the continent of Africa for the future, and therefore the two races should learn how to get on with one another. In many respects, although it cannot take credit for all the developments that took place, it was a stunningly successful policy. There have been major moves towards the abolition of racial discrimination in South Africa itself, and there has been a considerable relaxation of tension between South Africa and neighboring black African states. The main impediment to the development of those relations lies at present in Rhodesia, and it is perhaps characteristic of party platforms generally that the Democratic platform has absolutely nothing useful to say about that subject at all.

There are several points which are of paramount importance as far as Rhodesia is concerned. The first is that the Russians, as evidenced by the action

of their Cuban satellites in Angola, are deeply interested in the area. The second is that there is a major buildup taking place among the Nationalist forces outside Rhodesia. The third is that the position of President Machel in Mozambique is so shaky that he may be forced to bring in outside forces to shore himself up and that he may well adopt the classic pattern of safeguarding his own position by turning the attention of both his own people and outside forces towards some external enemy, probably Rhodesia. The fourth fact which is of significance is that a South African government in these circumstances would be under very heavy pressure to intervene in Rhodesia, and that this would create a severe risk of widening the conflict yet further.

If such a conflict were to develop, it could have serious repercussions in the United States. On the one side, there would be Western nations traditionally friendly to the United States, strongly anti-Communist and possessed of some minerals vital to U.S. interests, and on the other side there would be black nations, many of them Marxist and hostile to the United States and to capitalism, being supported by the Soviet Union and Cuba. It is not hard to imagine the tensions that would arise within the United States itself. On the one hand there would be the conservatives, who would argue that whatever their reservations about South Africa and Rhodesia, the United States should oppose Russian expansionist imperialism. And on the other hand there would be more liberal elements, who would argue that the United States should never put itself on the side of the whites in Africa, or of "racist regimes." One could envisage divisions within American society almost as profound as those which wrecked the unity of the country over Vietnam. And finally, if a Russian-backed regime were ever to take over the government of South Africa, it would mean that Russia would control 50 percent of the chrome production, 90 percent of the platinum, 75 percent of the manganese, 50 percent of the copper and between 60/80 percent of the diamond production of the entire world, as well as four-fifths of the world's gold production.

In these circumstances, it might have occurred to the policy makers of the Democratic Party that it would be wiser to conciliate rather than to irritate the country which, by common consent, holds the key to the Rhodesian question. Time alone will tell whether the Carter forces understand this fact.

Senator CLARK. Thank you very much. We are going to hear next and lastly, but by no means least, from John de St. Jorre, a British journalist who reported extensively from Africa and, as a matter of fact, in the Middle East.

He is on leave from the Observer, of London, to the Carnegie Endowment for International Peace, and is completing a study of the African white power in South Africa. I have read his testimony, as I did Mr. Chettle's, last night.

He has accompanied his testimony with an article that is about to appear, I think, in the October issue of Foreign Affairs Quarterly, a very, very fascinating article, which will be put in the record, and I thought a very insightful one. We are pleased the Foreign Affairs Quarterly allowed you to give that to us ahead of publication.

You may proceed in any way you think appropriate, Mr. de St. Jorre.

STATEMENT OF JOHN de ST. JORRE, CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE, NEW YORK, N.Y.

Mr. DE ST. JORRE. Thank you, Mr. Chairman.

I talked yesterday, in New York, with a political correspondent who had just come from South Africa. I asked him how the situation was there. He replied, "catastrophic but not yet critical."

I think this comment displays the complexity of South African society and in a curious way, it compounds the views of my two col-

leagues here. I am not going to try to present any kind of solution or any recommendations, but I would like to try to analyze white power in South Africa.

WHITE POWER

I think the first point is that the whites, the white presence in South Africa, is regarded with a legitimacy which is not accorded to the whites in Rhodesia or Namibia by the world and by Africa itself; the whites in South Africa have a right to be there.

However, the peculiar system of government that has evolved there has made their presence a continual target to the outside world and that, of course, is because of the racial separation of the population and of the system of government.

The central fact about South Africa is that white power is Afrikaner power. The Afrikaners, as Africans themselves acknowledge, are a tribe, the only white tribe in Africa.

They achieved a cohesiveness and an ethnic unity through three centuries of settlement and they have evolved their own language and their own kind of religion adapted from Calvinism. They have achieved a tribal unity which is comparable, interestingly enough, with many African tribes and in this sense, they are the central power group in the south.

I tend to write off the English community in South Africa in political terms. I would grant, however, that the English have influence in commerce and industry and in organizations like Mr. Chettle's; but I think when it comes down to the question of politics, they have no power.

I would put forward the following reasons for that: First, there is the numerical factor. They form 40 percent of the population, slightly under that in terms of electoral power because many of the English-speaking whites retain British or other nationality and have never become South African citizens. Therefore, they do not have the right to vote. This is quite a large proportion, incidentally.

So unless they come to outnumber the Afrikaners, which is very unlikely, or unless the Afrikaners split, politically, the English-speaking community has little chance of achieving political power through the present system.

Another reason is that there is a process of re-alinement going on between the United Party and the Progressive-Reform Party. The United Party is crumbling, it seems, and the Progressives are picking up support. This process will go on and continue to divide the English community for some time.

Another reason is that the English speakers as a whole in terms of political initiative are conservative and are not very interested in politics. A fourth factor is the personality of the Prime Minister, Mr. Vorster, who having been in power for 10 years, has proven his strength and his pragmatism, both of which appeal to the English electorate, and now has a strong following among the English community. Most opinion polls usually give him the support of about 80 percent of the white electorate. So for these reasons I tend to write off the English community in terms of taking power from the Afrikaners or being able to change the system.

NATURE OF AFRIKANER POWER

Afrikaner solidarity is much vaunted and it is, in political terms, true; but there are divisions. Perhaps I should first say a few words about the nature of Afrikaner power. It is a tight-knit kind of system and depends largely on the various institutions which exist in South Africa. Afrikaner institutions have been built up not just in the political spectrum, but in social affairs, in economic affairs, in religious matters—wherever you look you will find an Afrikaner institution linked with another Afrikaner institution. There is a lot of cross-fertilization.

These organizations include the Dutch Reformed Church, the National Party itself; the Women's Federation, cultural federations, and the Broederbond. This organization has sinister overtones and is a kind of a Masonic organization once very powerful and still very influential, which links all the leading members of Afrikaner society together. There are 400 cells, 10,000 members, $1 million in its coffers. It has Rhodesian and Southwest African branches, all of which communicate closely with the South African parent body. It functions as a sounding board for government policy, as a corrective instrument for curbing measures which are regarded by members as excessive, and it reflects the ideological and personality struggles within Afrikanerdom.

As I say, it is not as powerful as it was in the thirties and forties but it is still very influential and it shouldn't be written off. Mr. Vorster refers to it constantly. It also has an educative function, in the sense that, when he has a policy he wants to put across, especially in the field of foreign affairs, he uses it.

For example, when Mr. Vorster was putting pressure on Mr. Smith over the recent Rhodesian talks, the head of BOSS [Bureau for State Security] who is very close to Mr. Vorster and, of course, a member of Broederbond sent around a paper telling the members of the Broederbond that what Mr. Vorster was doing in Rhodesia was right and he would go on doing it and that the brothers had better accept the government's policy. The directive also explained the nature of that policy. So I wouldn't say the Broederbond is necessarily reactionary, but I would say it has a curbing influence and it is an organization that every Nationalist Party leader in South Africa has to consult and take note of its views.

NATIONAL PARTY

The main institution in Afrikanerdom which holds the whole thing together is the National Party. It is very powerful, very well organized, very well funded. It is the central pivot of power in South Africa.

I will go into the divisions which are familiar, I am sure, to the chairman. I would like to describe those divisions in the way I see them because there has been some misinterpretation abroad about what they mean.

The literal interpretation of verligte is enlightened. However, it does not mean unadorned liberalism any more than verkrampte, narrow, signifies straightforward reaction, for the first implies openness within carefully defined limits and the second contains a streak of rightwing radicalism.

The point about both of these terms and the divisions that they reflect is that they have to be taken within the context of the Afrikaner self-interest. They do not always mean what we mean when we think of liberalism or reaction or conservatism. They only reflect what the Afrikaners themselves see as their own interests.

There are signs that this division is growing. The verligte movement is a very interesting one. It is not a real movement. It is a collection of individuals, very active, very intelligent, dedicated men who are strong in ideas, but weak in political power.

They are particularly prominent in the Afrikaans press, in the universities, amongst opinionmakers in general. They have stirred quite a ferment in South Africa and they are the vanguard of change within the Afrikaner community.

But I think one has to be quite clear that, when they say change, they don't mean changing apartheid or separate development, they don't mean changing the basic structure of society. What they mean is change of pace, change of direction within that framework and nothing else.

They would like a dramatic change in the development of the Bantustan, putting more money in, making them independent, giving them a better economic and social status, improving the conditions of the urban blacks. Then they talk in the long term of a kind of federal system where small black states will exist alongside the white state and there will be a federal, even confederal solution.

But they are working against a hard mass of reaction. That is, of course, the verkrampte forces within the Afrikaner community. The verkramptes think—and they are in the majority—change has gone far enough or that change must not happen to quickly. As somebody once described it to me, change must come by stealth in South Africa. They also think that change itself could be the thin edge of the wedge and they say an economic or social concession today could mean a political one tomorrow.

These verkrampte forces are powerful. They are very strong in the government itself, in the institutions, in the civil service, in the police and, of course, very important, amongst the blue-collar workers in the cities and the farmers in the countryside.

There is also a high priest of the verkramptes, a gentleman mentioned by Mr. Kleinschmidt, Andries Treurnicht, who is a deputy minister in the government. He has recently written a book called Credo of An Afrikaner, which makes interesting reading, because it presents orthodox conservatism within the Afrikaner historic context, which means no sharing of political power with any other race, not with blacks, not with coloreds, not with Indians. Treurnicht advocates as great a separation as possible in social and other aspects of daily life. He also talks of distancing the Afrikaner from the English community, preserving the ethnic purity of the Afrikaner tribe. The verkramptes fear the English not for their political power, but for the assimilative strength of their culture and for their commercial prowess. The orthodox Afrikaner will say this is dangerous, it will dilute our culture.

So this is a very strong force. It has a spokesman. It is important. I think in internal affairs, it is the dominant force still.

HNP PARTY

I will say a quick word about the HNP (Herstige Nasionale Party), which is the right-wing Afrikaner party, way out on the right. It is very small. It was almost annihilated in the last two elections, but it has been increasing its vote in byelections since 1974.

It is emotional and vicious in its political tactics. It has an historical appeal to Afrikaners, an emotional appeal. The sort of thing it asks in byelections and other political platforms in South Africa, are why were our boys fighting for a bunch of Africans in distant Angola when we are abandoning our own kind in neighboring Rhodesia. This sort of thing is very strong stuff on the stump.

So HNP has some importance although people tend to write it off as a freaky kind of party out on the right, but I think it has some power, or potential power.

I asked an Afrikaner journalist once:

How does the party appeal to the average conservative supporter of the National Party?

He replied that what the HNP says in public, a third of the Afrikaners, supporters of Mr. Vorster, believe in private. I tested that on several people. They seemed to think it was a fair comment.

So the HNP threat is a subterranean one in the sense it doesn't have the power of the National Party but it is always there. It hasn't given up trying.

VORSTER FOREIGN POLICY

Where does Mr. Vorster fit in? My feeling about him is, he is a verligte in his foreign policy, but he is not a verligte at home. He is something else. I wouldn't call him verkrampte, but the term recently applied to the present head of the Broederbond fits. He was called a pragmatic conservative.

I think this is how Mr. Vorster operates within his own territory. He bridges the gulf between the verligtes and verkramptes. An example would be his agreement with the South African ambassador's comment in the U.N. about racial discrimination being unjust, while he would also agree with Mr. Mulder, a verkrampte figure in the cabinet, when he says, there can be no blueprint for ending racial discrimination.

Mr. Vorster has to bridge that gap. He manages to do it. He is very cautious in terms of change. He doesn't spell things out. Sometimes things do change in the system, but they tend to dribble out of the governmental process. It is very difficult to find out what is going on. The Prime Minister doesn't believe in large statements about racial policy or about the political future of South Africa.

I think his main belief, and there is evidence for this, is in power itself. He is a man of power. He looks powerful. He has a craggy appearance and, politically, he is a craggy man. He is gathering more power into the center of the system.

Recent acts of Parliament, ranging from Squatters' bill which takes powers away from municipal authorities and gives them to the central

authority, the Internal Security Act which has been mentioned, which gives more power to the minister of justice, and other acts of Parliament which have gone unnoticed to a large extent, including things that have not been agreed to by the opposition parties like the Parliamentary Security Commission which is going to investigate people who are suspect of various activities, a kind of a McCarthy investigative body.

Mr. Vorster is an authoritarian and he wants to make sure that he can control everything whatever happens. How fast will he go? This depends on pressures and it depends on his electorate.

One of the ironies of South Africa, I think, is that because the whites have a democratic system—within the white community, it is democratic, there is a parliament, they do have elections—they are trapped by all of the forces that any democratic system is trapped by, the forces of reaction, forces on the left, to the right, and the deadweight in the middle.

Perhaps Mr. Vorster should move faster but he finds it very difficult to do so. Perhaps he wants to, but he has a democratic system around his neck. He has to take into account what Parliament says and he has to take into account what the white community says in the cities and in the countryside.

The white electorate is not moving very fast. They don't feel threatened yet. They are not dissatisfied with Mr. Vorster. He has done well by them. So there isn't a great movement for change amongst the whites yet.

FUTURE OF GOVERNMENT

Where does the future lead? There are indications that the government is tinkering with the idea of federalism. There is even talk about Mr. Vorster eventually having to get rid of his democratic system and become a dictator or introduce a one-party state which, of course, would put him in line with the rest of Africa. People talk about that.

There is no evidence for this yet. There is, however, a commission discussing a federalist system, but the separate development policy is the credo of the National Party and there is no sign of moving away from it.

The logic of separate development is federalism and perhaps even partition, but on what terms? This is something worth looking into. Mr. Vorster backed dialog in Rhodesia and Namibia with the black people. He doesn't follow suit in his own country because he says the framework is already there.

Senator CLARK. Can I ask you, Mr. de St. Jorre, to try to summarize now so we can go on to questions?

Mr. DE ST. JORRE. The Afrikaners are in the position of having to dominate, deal or die. At the moment Mr. Vorster and his government are still dominating. They have been urged by a number of people, including many South Africans and many outside of South Africa, to try the second alternative, to deal.

I don't think the time has come when Mr. Vorster will deal with the black community. I think he will pursue the separate development policy. He will modify it as he goes along, but he won't change it and

the main reason for that is the whites, the electorate do not feel threatened enough. They don't feel they have to change, so why change?

[Mr. de St. George's prepared statement follows:]

PREPARED STATEMENT OF JOHN DE ST. JORRE

INTRODUCTION

South Africa, like Rhodesia, is ruled by a white minority. Unlike Rhodesia, however, the presence of the whites in the country has acquired a legitimacy in the eyes of the world by virtue of their history. Much of the land first settled by the early Dutch, French and German immigrants was either empty or thinly populated. The immigrants cut themselves off from their origins and became a relatively cohesive group. This process began in the mid-17th century—Dutch settlers founded Cape Town and New York in the same year—and has continued ever since. South Africa does not regard itself as a colonial country although the stigma of colonialism inevitably clings to it while it remains the occupying power in Namibia (South-West Africa).

Other characteristics that set South Africa apart from the common African colonial experience are its heterogenous population and unique form of government. The population of almost 25 million is divided into four official groups based on race: Whites—4.2 million; Coloureds (people of mixed race)—2.3 million; Asians (mainly Indians but also Chinese and Cape Malays)—0.7 million; and Bantu (the government's term for Africans—17.7 million.[1]

Since 1948 the official policy of the government has been *apartheid*, literally "separateness." In effect this means as much social and economic separation of the races as is possible and no political power sharing. Apartheid moves in two directions, often at the same time. First, there has been an unscrambling of the omelette—taking the Coloureds off the common voters' roll and removing surplus urban blacks to the tribal homelands, for example. Secondly, there is what the government sees as the more positive side such as the development of the tribal homelands, or Bantustans, and leading them toward eventual independence. The Bantustans are the central feature of the apartheid or separate development policy. The rationale behind the strategy is that the population of South Africa is made up of many ethnic groups with widely diverse—and often mutually antagonistic—cultures. If they were all lumped together into a unitary political system there would be friction and the smaller groups—the whites, Coloureds and Indians—would be engulfed by the Africans. The only solution in such a complex society, the government argues, is separation especially since there is a similar complexity among the Africans themselves who fall into nine major tribal groupings speaking 260 different dialects.

The Bantustans are fragmented rural areas which together comprise 13% of the land of South Africa. The Coloureds and Asians have no homelands but live in segregated areas close to white cities. The rest of the 87% is reserved for the whites. The government claims that as much as 70% of the land in South Africa is not arable and that the Bantustans have almost half of the available arable land in the country. A number of the homelands are favored by high rainfall. However, they are all underdeveloped, overcrowded and have few mineral resources. The government has plans for greater consolidation—currently even the Transkei, the largest Bantustan, is in three separate parts—but the ratio between white and black-owned land will not be substantially altered. The homelands are at varying stages of self-government, usually under traditional chiefs who depend for their support on other chiefs and partially-elected legislative assemblies. Africans who live and work in white South Africa have the right to vote in homeland elections but rarely exercise it. The Transkei is due to become independent on October 26th this year and another homeland, Bophuthatswana, has indicated that it may follow. The remaining Bantustan leaders who include the Zulu politician, Chief Gatsha Buthelezi, have rejected the idea of independence but support the government's policy of encouraging foreign investment and economic development of their mini-states.

Outside the homelands, in white South Africa, the African is treated as an alien, subject to strict influx controls and without political rights, much in

[1] Official South African estimates: mid-1974.

the same way as Turkish workers are treated in Germany or Portuguese in France. The African workers, however, are vital to the running of South Africa's factories and farms and they, for the most part, regard themselves as South Africans with no wish to "return" to their homelands or participate in politics there. Their desires—and their grievances—are invariably bound up with their carefully-monitored and under-privileged lives in the white man's cities and on his farms. The government stresses the ethnic separateness of the tribes that make up the black population and, accordingly, education, residence and the allocation of political rights are structured on a tribal basis.

Apart from the homeland governments, representative institutions for the non-white population of South Africa are limited. The Coloureds have the Coloured Representative (CRC), an elected body with advisory powers, which has rejected the government's apartheid formula and is still at loggerheads with Pretoria. A government-appointed commission on the future of the Coloureds has recently urged a new political and social deal for the "brown Afrikaners"—so called because of their ancestry and because Afrikaans is their mother tongue—but Mr. Vorster has made it clear that they will never be brought back into the white political process. There is also a South African Indian Council with similar consultative functions which advises the government, but which is not elected and has no real power.

In the African townships there are elected Urban Councils but these again are restricted to an advisory role, and the daily lives of urban blacks are governed by white officials in the Department of Bantu Administration. Africans cannot join registered trades unions and are thus deprived of legal protection. Work and liaison committees between management and labor have been set up in recent years and Africans now have a limited right to strike but the interests of the white workers remain paramount in government policy.

Parliament and political power are the exclusive property of the whites. The constitution is based closely on the British Westminster model and was drawn up when the Union of South Africa was given independence by Britain in 1910. It was slightly modified in 1961 when South Africa became a republic and broke its final ties with the British Commonwealth. There is a State President, a Senate and House of Assembly. The most important of these is the House which is elected every five years on the basis of universal suffrage among the white population. The prime minister and the cabinet are chosen from the majority party in the House in the British manner and the prime minister can, providing that he secures the approval of the State President, dissolve parliament and hold new elections before the statutory five-year period has elapsed. Government ministers must be members of the Senate or House. The Senate—partly elected, partly appointed—has little power. There is an independent judiciary but in constitutional and legislative affairs parliament is sovereign and supreme. The last South African general election was held in April, 1974. The National Party led by Mr. Vorster which has held power since 1948 increased its majority in the House of Assembly and the current state of the parties is:

National party	124
United party	35
Progressive reform	12

ANALYSIS OF WHITE POWER IN SOUTH AFRICA

The attached article will appear in the October, 1976 issue of Foreign Affairs and sums up my views on the nature of white power in the country. Foreign Affairs has agreed that it may form part of my testimony.

If I may make a suggestion for the published record, perhaps the first page and a half of the article could be cut and a beginning made at the paragraph which starts "White power in the Republic of South Africa is Afrikaner Power." (Half-way down page 170.)

INSIDE THE LAAGER: WHITE POWER IN SOUTH AFRICA

(By John de St. Jorre)

Southern Africa these days is like a Chinese puzzle. Rhodesia is the first box, exposed on all sides, its lacquer chipped and lusterless. Lift the lid and there is Namibia, waiting its turn. Open up Namibia and South Africa comes

into view. Prise the top off South Africa and, a non-Chinese surprise, two boxes lie side by side, one black and the other white. The black box is sealed tight but its shape has been distorted by a series of internal explosions and it no longer rests passively beside its neighbor. The white box also fails to open but that's because it's solid. On it there is an inscription: Afrikaner Nationalism. Therein the muscle and sinew, the visions and the nightmares of Africa's only white tribe are compounded.

II

If it is accepted that the central problem in the region is the immutability of South Africa's racial policies, around which all other problems ultimately turn, then the men who shape them deserve close attention. That a widespread challenge has arisen from the very people whose future is the main concern of South Africa's leaders, notably the new generation of blacks, only underscores the pivotal importance of the Afrikaners. The nature of white power in the southern part of the continent has undergone considerable change since the Lisbon coup in April 1974. The last of the metropolitans, the Portuguese, have gone. A new phase involving white settlers of relatively recent origin and untested nationalism in Rhodesia and Namibia has opened. The length of that phase is debatable; analysts talk in terms ranging from six months to five years. But the outcome—black governments, militant or moderate, stable or unstable—does not seem to be in doubt. By then the friendly white buffers may have been partially replaced by pliant black homelands but the chances of South Africa having to face what Rhodesia is confronted with today will have immeasurably increased.

South Africa's friends and foes alike acknowledge that the country is in a different category from the "colonial" countries of Rhodesia and Namibia. Black African nations defined that difference in a statement issued at Lusaka, Zambia, in April 1969. In what has since become a sort of African magna carta on freedom and equality in the white South, the Lusaka Manifesto referred to South Africa as an "independent sovereign state and a member of the United Nations." The recent riots in South Africa may lead the Organization of African Unity (OAU) to revise its attitude—strong opinions were expressed at the recent OAU summit meeting in Mauritius—but for the moment the Manifesto stands and implicitly recognizes the success of Afrikaner nationalism in its strange and unique act of creation at the foot of the African continent.

The Africans also accept that South Africa should be allowed time to work out its own destiny, though precisely what that should be has never been clearly defined by them any more than it has been by the white South Africans themselves. The Africans talk of "ending (or dismantling) apartheid" and privately means a solution that leads to eventual majority rule in a unitary state. White South Africans talk of "separate development" and "equal freedoms" for all in South Africa and privately aim at maintaining political and economic control over at least four-fifths of the country.

White power in the Republic of South Africa is Afrikaner power. Settled in the country since the seventeenth century, the predominantly Dutch forebears of today's dominant white group were pushed into the interior by the English during the Napoleonic Wars and defeated by the latter in the Boer War in 1902. Since then, however, with their tight-knit ethnic strength and numerical predominance, the Afrikaners have gradually taken over political control and gathered increasing economic strength in the Republic. Their political arm, the National Party, has held the reins of government firmly since 1948.

The English-speaking community, roughly 40 percent of the white population,[1] now counts for virtually nothing in South African politics. Of course, the English have influence, especially in commerce and industry, but they have no power nor have they any prospect of achieving it in the foreseeable future. There are several reasons for this. First, as a minority they cannot hope to oust the Afrikaners under the present electoral system, provided the latter remain united and as long as non-whites are excluded from parliament. Secondly, a process of realignment is going on among the two English opposition parties. The United Party (UP) is steadily losing ground to the more liberal Progressive-Reform Party (as the amalgamation of the Progressive and the breakaway

[1] The effective electoral power of the English is probably less when the large number of English-speaking residents who have not taken out South African citizenship is considered. Two years ago, Mr. Piet Koornhof, Minister of Sport and Immigration, said that only 42,000 immigrants out of a total of 400,000 had become citizens since 1961 (*Seek*, an Anglican journal, July 1974).

left wing of the United Party is called) on the Left and to the ruling National Party on the Right. The old adage that the English talk Progressive, vote UP and privately thank God for the Nationalists has lost some of its validity. The increased gravity of South Africa's position has spurred a process of ideological polarization. Closet Nationalists and Progressives are tiptoeing cautiously out into the open as the days of wine and roses come to an end. (The same process has occurred in Rhodesia during the last decade, leaving the Center-ground sprinkled with the corpses of moderate politicians and good intentions.)

A third factor is the nature of the English electorate, which tends to be torpid, conservative and apolitical. The large influx of disillusioned white immigrants from other parts of Africa in recent years has strengthened the reactionary ingredient in the community. The idea that industrialists and businessmen, being practical and farseeing people, represent a political force for change seems to be as illustory in South Africa as it has been in Rhodesia although some individuals such as Harry Oppenheimer never give up urging meaningful reform. A confidential survey of 3,000 leading businessmen in South Africa last year showed that the group remains conservative, the greatest support for the status quo coming from those in the top echelon of management.[2] Finally, the personality of Prime Minister John Vorster has done much to fragment traditional English political loyalties. His strength and pragmatism appeal to the English voter and opinion polls give him a steady 80-percent backing of the white electorate.

The historical enmity between Afrikaners and English in South Africa has diminished considerably in the last three decades. The consolidation of political power, the urbanization of the Afrikaner, and unprecedented material affluence have blunted the prickly spines of Afrikaner nationalism. After the founding of the Republic in 1961, former Prime Minister Hendrik Verwoerd began to encourage the concept of a white South African nationalism in which the English were to be drawn closer but still held at arm's length from the sacred institutions—cultural, religious and political—of Afrikanerdom. Mr. Vorster has continued the policy with greater energy but not without strong criticism from the ethnic purists in the Afrikaner right wing. The group that has been most willing to reach out toward the English is the expanding body of young Afrikaner businessmen and technocrats. They find it relatively easy to identify with their white compatriots, whose affluence they now share and whose more relaxed life-style they admire and emulate.

But, underneath the Afrikaner skin, there still lies a wariness of the English—for their capacity to undermine the unity of the *volk*, for the assimilative power of their culture and, in times of crisis, for their suspect loyalty to the country. There are also the abrasive barbs of English opposition which never cease to hurt although they do no substantive damage. These come, with varying intensity, from three different directions: the English-language press; the English universities, especially Witwatersrand and Cape Town, and the students' union, NUSAS; and from the small but active Progressive-Reform Party in parliament.

An indication of Afrikaner mistrust is the government's refusal to capitalize on the undoubted support it has among the English electorate in order to accelerate even the limited domestic reforms it believes to be necessary. A recent by-election in Alberton showed the National Party paying an exaggerated amount of attention to the threat from the Afrikaner Right when it was clear that whatever was lost in that direction would be more than compensated by support from the English Left. The crucial determinant, of course, was the ethnic origin of those votes. In this context, Mr. Vorster is no different from any other leader of the *volk*; a single Afrikaner vote is still worth half a dozen English votes any day of the week.

III

The irony is that it was on the anvil of the English that the Afrikaners first forged their nationalist armor. Afrikaners retain a revolutionary image of themselves. Unlike the English, French or Portuguese in Africa, they turned their backs on their European origins. In search of land and solitude they swept north in successive migratory waves and clashed with black tribes pushing south. They were not innovators but a practical people who had a talent for modification. They fashioned a religion out of Calvinism and a language out of seventeenth-century Dutch. The Church and Afrikaans remain as pivotal to Afrikaner nation-

[2] This survey was carried out by Anglo-American, the giant mining conglomerate, which conducts a similar exercise every five years.

alism today as Judaism and Hebrew do to Zionism, although their racial ideologies are entirely different. They regard themselves in all seriousness as Africa's first freedom-fighters against British imperialism—and although they lost the war they finally won the peace.

In all *volk* history there are distortions and myths but they do not necessarily weaken the faith of the believer; on the contrary, they often reinforce it. However, the power of what has been called the Afrikaners' "civil religion"[3] has waned since its zenith in the 1930s and 1940s. And there is today no conclusive agreement on the identity of Afrikanerdom or the role it should play in modern Africa. There is, in fact, constant debate and much internal divisiveness. Yet the symbols and the institutions of a durable nationalism are there. The purely ethnic content of Afrikanerdom is certainly being eroded by the need to pull in the English in order to present a unified white front to the black threat. And although the inspirational view of Afrikaners as the Chosen People of an omniscient God has receded into obscurantist backwaters there is no lack of consensus, of moral righteousness, or of will, when it is a matter of who should guide the destiny of the 25 million people of South Africa.

Some of the problems in understanding Afrikaner nationalism arise from the fact that the Afrikaners are, like the Rhodesians, undoubtedly a minority group defending their privileged position against an impoverished and unpresented majority. But, at the same time and quite unlike the Rhodesians, they have over a slow and painful process lasting 300 years evolved as a distinct ethnic group. The English of Rhodesia and South Africa and the Germans in Namibia still have a European home of sorts. The Afrikaners have none other than the empty land they occupied, and the settled land they bought or conquered. This factor adds a measure of determination, ruthlessness and perhaps, *in extremis*, flexibility to the Afrikaner psyche. Afrikanerdom is based on the reverse principle of European and American (or African) pluralism: that is, in order to survive, it has to exert total and exploitative power over rival nationalisms, if only to guide them to a compatible destiny. Despite its self-conscious act of amputation from Europe, Afrikaners still look with some anguish toward the West for a portion of their physical and phychological needs—weapons, investment, protection and approval. However, Mr. Vorster's government is doing its best to reduce this dependency. The détente policy with black Africa, the overtures to other middle-ranking internationally isolated powers—Israel, Iran, Taiwan—and the huge increases in defense and energy spending over the last few years all stem from this desire.

IV

Afrikaner power in South Africa rests upon a number of traditional institutions all closely intermeshed at the top. It is hard to detect a breath let alone a wind of change in the taut rigging of the three Dutch Reformed churches, the FAK (Afrikans Cultural Federation), the women's organizations (Afrikaner womanhood, the victim of Zulu massacres and British concentration camps, remains an important symbol of ethnic probity and purity), the state controlled South African Broadcasting Corporation, the white trade unions, and the powerful fraternal organization, the Broederbond (Band of Brothers). There is dissent, among some of the younger clergy, for example, and there is debate. But there is no sense of urgency, no swelling movement for reform, and although these organizations no longer play such a central role as they did when the Afrikaners were consolidating their power they still perform a dual function of filter and sounding board for Nationalist policy as it descends from the cabinet and party hierarchy.

The Broederbond, in particular, is important here. Founded in 1918 as a way of resisting British influence, it remains the watchdog of Afrikaner life. With a total membership of about 10,000, it is organized on a regional basis consisting of 400 cells or divisions and a central coordinating council which meets regularly in secret. Members are inducted and must be Afrikaner Protestants, belonging to one of the three Dutch Reformed churches, who send their children to Afrikaner schools and universities. While members can admit their own affiliation, they cannot reveal the identity of others. There are masonic overtones: special handshakes, secret words and signs for recognition. There is a chairman, an executive committee (*Uitvoerende*), a junior wing (*Ruiterwang*), and a central exchequer (the Christiaan de Wet Fund) which has over $1,000,000 in coffers, and finances special activities. Prominent Afrikaners in all walks of life, including cabinet ministers and other leading politicians, belong to the Broederbond.

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[3] The phrase is T. Dunbar Moodie's, used in his book, *The Rise of Afrikanerdom*, Berkeley and Los Angeles: University of California Press, 1975.

Some of the secrecy that formerly cloaked the organization was dissipated by a revelatory series of articles in the South Africa press in 1973 and 1974.[4] However, its role of surveillance over Afrikaner morality and coordination of Afrikaner interests remains unimpaired. It also reflects the policy and personality struggles that periodically trouble Afrikanerdom. In 1969, when Albert Hertzog led his followers into the wilderness to form the right-wing Heritage Nasionale Party (HNP), Mr. Vorster himself conducted a purge and ejected them from the Band of Brothers. Another conflict occurred in 1974 when the then-chairman of the Broederbond, Dr. Andrics Treurnicht, a conservative, was replaced by Professor Gerrit Viljoen, a moderate, again through the active intervention of the Prime Minister.

The power of the Broederbond is now widely thought to be less than it was; its high point was reached in the 1920s and 1930s when Afrikaner nationalist fervor was at its peak. But it would be wrong to relegate it, as some observers have, to the category of an "Afrikaner employment agency," a kind of British public school "old boy network" or American Eastern establishment—with the inference of declining or peripheral power. No major policy issue escapes its scrutiny; some originate from within its ranks. In 1971, the Broederbond worked out a secret policy for sport in South Africa, anticipating with remarkable accuracy the pressures that would be brought to bear against the government from abroad.[5] Two other controversial issues, the future of the Coloureds and racial discrimination ("petty apartheid"), are constantly being chewed over by the Brothers, usually with inconclusive results.

The only area that receives less than microscopic attention is foreign diplomacy, which Mr. Vorster has, in recent years, made his own preserve. But even here, the Broederbond has sensitive antennae—especially in Rhodesia where there are 30,000 Afrikaners, many of them farmers in the embattled eastern frontier zone; and in Namibia which has a similar number of the *volk* scattered throughout that huge sparsely populated country. There is a network of cells in each place. In Rhodesia there is a special section called the GRA (*Genoodskap van Rhodesian Afrikaners*) which contains five divisions and includes several important members of the ruling Rhodesian Front and at least one cabinet minister. The organization provides a convenient channel for all the supporters of right-wing orthodoxy, including some sympathizers of the HNP who escaped the purges in 1969 and 1970.

But although Rhodesia's future has caused some soul searching it has also demonstrated an interesting educative function of the organization. In February 1975, a major policy paper on the government's Rhodesian strategy was circulated by General Hendrik van den Bergh, the head of the Bureau for State Security (BOSS) and the co-architect of the détente policy with Mr. Vorster. The paper made it clear in uncompromising terms that South Africa had no alternative but to modify its traditional attitude toward Rhodesia and work with black Africa for a negotiated settlement. This followed an embarrassing visit to Salisbury by the Prime Minister's brother, then moderator of one of the Dutch Reformed churches and a man of conservative views, in which he had publicly declared that the whites in South Africa had no intention of abandoning Rhodesia. "We either win together or we hang separately," he said.

V

The institution with the greatest power, the National Party, is also in the doldrums, immobilized by the contrary and fitful breezes that spring from its *verligte* and *verkrampte* horizons. It is important to place this division strictly in the context of Afrikanerdom's self-interest. *Verligte* (enlightened) does not mean unadorned liberalism any more than *verkrampte* (narrow) signifies straightforward reaction, for the first implies openness within carefully defined limits and the second contains a streak of right-wing radicalism. The bone of contention between the two is not the shape of South Africa's future but the manner in which it is achieved and the pace at which it should proceed. The strategy is separate development, the creation of a series of independent black homelands to which all the blacks in the urban areas will belong. Many analysts, including some Afrikaners themselves, shrug off the *verligte-verkrampte* struggle as a charade, tango where one partner leads and then follows but the steps remain the same. However, it has produced an ideological fissure in Afrikanerdom which has recently shown signs of acquiring new dimensions.

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[4] By Heanie Serfontein, political correspondent of the Johannesburg *Sunday Times*.
[5] John Seller, "South African Response to External Pressures," *Journal of Modern African Studies*, September 1975, p. 458.

The *verligte* vanguard is to be found in the Afrikaans press, the universities, the think tanks, and the quasi-government research institutes. There is a great rustle of activity: seminars, writing, talking, planning. The *verligte* intellectuals see themselves as loyal Afrikaner nationalists with a pragmatic bent, as ethnic fair-dealers, and as humanists who reject racial discrimination and domination. Their historical view is that the era of crude white *baaskap* (racial despotism) of the 1950s Nationalist leaders Daniel Malan and J. G. Strijdom gave way to the ideological apartheid of Dr. Verwoerd in the 1960s, and then softened into Mr. Vorster's separate development in the 1970s: eventually this will in turn lead to separate but equal freedom in the 1980s. Power-sharing and any form of political integration is as abhorred by them as it is by the *verkramptes*. Majority rule is out. But separate development, the stress, must be an innovative, dramatic policy imbued with a pioneering spirit and conducted with self-sacrifice.

They talk of a two-year breathing space while Rhodesia and Namibia attract the limelight. During that time, the government must seize the initiative and build up the tribal homelands or Bantustans, which will eventually become independent black states; move decisively to eradicate racial discrimination; give the urban blacks a better economic and social deal; find a solution for the Coloureds who have no homeland; and launch a genuine dialogue with the non-white groups. The longer term is less precise. They envisage a patchwork of black and white states linked by federal or confederal structures in which the urban blacks—the biggest problem—will have a significant measure of self-government and perhaps even become small city-states linked at one level with their homeland governments and at another with the white cities from which they can never be wholly detached.

Verligtheid, as one Afrikaner analyst, F. van Zyl Slabbert, has pointed out, is not a movement. It is a collection of individuals with similar ideas on the future of South Africa, although the degree of their enlightenment often varies from issue to issue, e.g., a Cape Nationalist may be *verlig* on the Coloureds but not at all *verlig* on the problems of the urban blacks. Also the thrust of *verligtheid* within Afrikanerdom is not against the political primacy of the Afrikaner but against those who look backwards to cultural purity and ethnic chauvinism. It has little real muscle and has to rely on the intellectual caliber of its adherents and the influence they can exert in high places. Its strongest platform is the Afrikaans press where the current campaign for reform is being led by the respected editor of *Die Transvaaler*, Willem de Klerk, the man who coined the terms *verligte* and *verkrampte* in the mid-1960s. Public support has come from inside the cabinet (Piet Koornhof, Minister of Sport), the Afrikaner-run South African Bureau of Racial Affairs (SABRA), from a handful of white trades unionists and, more recently, from the chairman of the Broederbond, Gerrit Viljoen.

The *verkrampte* view is that change has gone far enough for the time being and that change in itself can be the thin end of the wedge: a social or economic concession to the blacks today will lead to a political one tomorrow. Separate development is fine but it must proceed cautiously; racial discrimination can be eased but only in areas where the process will not cause "friction"; and the cultural exclusivity of Afrikanerdom must be preserved at all costs. Regardless of what happens outside South Africa, the government must maintain firm control of the nature and the pace of change. The forces of *verkramptheid* are large and powerful. They number several seasoned generals: Connie Mulder, Minister of Information and Transvall party leader; P. W. Botha, Minister of Defense; and M. C. Botha, Minister of Bantu Administration and Development. There is a solid cadre of officers and NCOs in the ranks of the civil service and police, and a broad phalanx of foot-soldiers among the blue-collar workers in the cities and the farmers on the dusty *platteland*.

There is also a high priest, Dr. Andries Treurnicht, a former Dutch Reformed pastor and now a deputy minister. He recently published a book called *Credo of an Afrikaner* setting out the orthodox conservative view of Afrikaner nationalism with its stress on Christian values and ethnic exclusively. His inclusion in the government last year was something of a shock since he replaced a popular

verligte in the important Ministry of Bantu Administration. Conventional wisdom has it that Mr. Vorster was boxing him in although it is agreed that this tactic can sometimes boomerang. *Die Burger*, the Cape Nationalist paper, refused to review his book—not so much for what he said but for his assumed motive in saying it, that is, playing up to the right-wing gallery. Few Afrikaners would deny, however, that Dr. Treurnicht articulates a deep and legitimate stream of feeling within Afrikanerdom and that he can muster formidable stopping power against any policies that run counter to the *verkramptes'* concept of their own self-interest.

VI

The National Party is not an island. The men who run it and strive to maintain its cohesion have to look constantly to its flanks. On the Left the forces are more numerous than those on the other end of the spectrum, but most of their menace has been diminished by a combination of tactics: strong government for the English; delay on the Coloureds and Indians; inducements for the Bantustan leaders; and repression for black opponents and their handful of white supporters, many of whom, interestingly, are Afrikaners. Dr. Beyers Naude, director of the Christian Institute, a courageous and outspoken man, is a good example of the truly radical Afrikaner. He predicts majority rule will come within a decade and the sooner the whites accommodate themselves to the idea the better it will be for all the people of South Africa.

To the Right, the threat is miniscule in numerical terms, yet it is capable of provoking a deep neurosis in the leadership because its appeal strikes straight at the breast of the *verkramptes* and because it comes from within the ranks of Afrikanerdom itself. Albert Hertzog, Jaap Marais, and others in the HNP are regarded by many Afrikaners as a lunatic fringe, yet they undoubtedly exert an influence out of all proportion to their numbers. The party made no impact in the 1970 election, was almost annihilated four years later, and still has no seat in parliament. However, it has been increasing its vote in by-elections since 1974 and remains vocal and active.

Its message is twofold, historical and emotional. It points out that separate development has loosened up society and given black critics, like the Bantustan leaders, platforms they never had before; it is time to tighten the circle of ox-wagons, and the HNP with its crusading brand of ethnic nationalism is the party to do it. Albert Hertzog says, with logic, that if the government's policy is truly based on ethnicity, then the English, as well as the Coloureds and the Indians, should be given their own homelands. If not, then the blacks should be entitled to a *single* united Bantustan. The HNP also has considerable nuisance value, especially over issues such as the future of the whites in Rhodesia and Namibia. The line that it was criminal of the government to send South African boys to be killed fighting for Africans in distant Angola and not be allowed to defend their white kith and kin in neighboring Rhodesia is heady stuff on the stump. It is a theme that will grow louder as the situation deteriorates in Rhodesia and will find an echo in the hearts of many *verkrampte* Nationalists.

Presiding over these conflicting forces is the solid figure of Mr. John Vorster. The levers of Afrikaner power are firmly in his hands and behind him on the bridge stand a few trusted lieutenants. Understanding the process of decision-making in South Africa has been compared to Kremlinology. It is indeed a mysterious business in which the government often seems to move one step forward and then two back, in which ideology plays leapfrog with practical politics, and in which the self-interest of Afrikanerdom is the deciding but not always the most visible factor. The Prime Minister, now 60 years old, has spent a life steeped in politics. He is one of the generation of Afrikaner politicians who vividly remembers the days when the *volk* was divided, when the English were still the enemy. Black power is now the antagonist and Mr. Vorster knows a lot about that since he made his name as Dr. Verwoerd's law-and-order man at the Ministry of Justice in the early 1960s. But he can never forget that he was at the helm when Afrikanerdom split in 1969 and that his hold on the right wing of his people will only be secure as long as he can satisfy the conservative instincts and aspirations.

"What the HNP says in public a third of the Nationalists think in private," an Afrikaner political correspondent told me recently in South Africa, and most people I bounced it off on agreed that it represented a fair assessment. Fear of the Right is a constant in white politics in Southern Africa—and with good reason. In Rhodesia, the movement of power to the right has become an iron law. Dr. Hertzog and HNP leaders point to precedents in Afrikaner history for successful assaults on the citadel from the same direction and say they are prepared to wait: historical inevitability is on their side.

Mr. Vorster himself entered Nationalist politics from the Right and he knows only too well that the ammunition for such an attack is piling up: concessions linked to black violence, albeit minimal, such as scrapping Afrikaans as a medium of instruction in black schools or providing electricity to Soweto residents after the June riots; unresolved conflict with Pretoria's favorite homelands' son, Chief Kaiser Matanzima, over the citizenship issue—and perhaps a delay in the Transkei's independence scheduled for October 26; the Coloureds' stubborn refusal to accept the government's halfway house for them; and, most dangerous of all, Mr. Vorster's understandable reluctance to become physically involved in Rhodesia. In an interview earlier this year he asked himself the rhetorical question, "What would I do if a hundred Afrikaners were killed in a week in Rhodesia?" He did not—or could not—provide an answer.

VII

Where does Mr. Vorster himself stand in Afrikanerdom? He seems to have two basic positions. In foreign affairs he is with the *verligtes*, a supreme realist ready to take risks and meet the changing world face-to-face. His détente policy in Africa, his rationale for the Angolan intervention (fighting for his African allies in order to achieve an *African* solution, an Angolan government of national unity), the stern advice to Ian Smith to get on with majority rule, the new flexibility on Namibia in which he has accepted that the detested South West Africa People's Organization (SWAPO) could have a role—all these developments attest to Mr. Vorster's adaptability and all have been opposed at varying levels of intensity by the right-wingers.

In domestic affairs, however, his stance is enigmatic and hard to define. He is not *verkrampte* but neither is he *verligte*. On internal change he moves slowly, elliptically, with great caution. He endorsed the famous statement by his Ambassador at the United Nations in 1974—South Africa does not condone discrimination on the basis of color—but he would also agree with Connie Mulder who said on the removal of discrimination, "You can't have a blueprint, you've got to play it by ear." South African domestic policy sometimes appears to evolve by a process of osmosis rather in the manner in which Tory party leaders used to be chosen in Britain: something finally emerges. Apartheid ideologues will be satisfied with the framing of a law, and separate development pragmatists will be content with its less than rigorous implementation. Playing both ends off against the middle is a minor South African art form; thus the inevitable can be satisfactorily disguised, as in the steady erosion of job reservation and the upward mobility of black labor.

The key to Mr. Vorster is that he is an authoritarian who believes first and foremost in control and then in applying the power at his hand in subtle shifts this way and that according to the balance of pressures. He represents a return to a more traditional kind of Afrikaner leader after the sternly ideological Dr. Verwoerd.[6] If one had to tie a label on him in this context, I would favor the tag recently used to describe the present chairman of the Broederbond: "a pragmatic conservative." Mr. Vorster strives for consensus but it is a cautious business and if there is strong disagreement or risk of division he will shelve the issue or employ delaying tactics. This preserves a balance in the cabinet between men who represent the various political and ideological differences within Afrikanerdom: Piet Koornhof, the *verligte;* Connie Mulder, the hard-headed Transvaal party chief; P. W. Botha, the Defense "hawk"; and M. C. Botha of Bantu Affairs, Dr. Verwoerd's loyal disciple. But the style also appeals to the Prime Minister's own character and to those close to him, such as General Van den Bergh of BOSS, Professor Viljoen, the Broederbond chairman, and Dr. Muller, the durable Foreign Minister.

[6] Verwoerd was not technically an Afrikaner at all since he was born in Holland.

But where is he going? The short answer is nowhere very fast and in the meantime his government is accumulating more power. Recent legislation illustrates the steady flow of power to the Executive. The Defense Act, obliging South African soldiers to fight anywhere in the world; the Parliamentary Internal Security Commission (PISCOM), a McCarthyite body set up to investigate suspect individuals and organizations; the Separate Amenities Act which takes certain powers away from municipal authorities and gives them to the government; the Squatters Act ordering landlords and local authorities to demolish squatters' homes and removing the occupant's right to appeal to the courts; and the "SS" Bill[7] which increases the already draconian powers of the government in the field of individual liberties.

Linked with the centralization of power is Mr. Vorster's determination to maintain Afrikaner unity. His oft-quoted saying that a responsible leader should never move out of sight or earshot of his people is not more rhetoric. Afrikanerdom is not—and never was—a natural monolith. The mortar that binds it together is the National Party's hold on political power and the strength of its institutions, which reinforce each other. So far the fear of losing political control and the many advantages it brings has kept the centrifugal tendencies within Afrikanerdom in check. Despite the appeal of Dr. Hertzog and the HNP, the serried ranks of *verkramptheid*—the farmers, the white urban workers, the cultural organizations and the churches—have no cause to be discontented with Mr. Vorster's government at the moment. In addition, many of the divisive issues (rivalry between Cape and Transvaal Provinces, trades unionist versus *platteland* farmer. Bantu Department ideologue against *verligte* intellectual) often cut across each other and make a clear rift loss likely. If, however, one issue became dominant and swamped all the others, then the party and the institutions could be threatened. This is something Mr. Vorster will be at pains to avoid.

In a few areas he has pushed cautiously forward. A considerable amount of money and effort is being put into the Bantustans, though not as much as the *verligtes* would like. He responded quickly and positively to the challenge presented by the Portuguese collapse in Africa. He has gone some way to ease discrimination. Helen Suzman of the Progressive-Reform Party accurately summed up what these moves meant: "to the outside world—nothing at all; to the blacks in South Africa—very little; to the whites—a hell of a lot!"[8] He has not, so far, responded to calls for a systematic plan to end racial discrimination. A cabinet committee has been sitting for two years overseeing the problem but its work or views are not published. The Prime Minister has never made a comprehensive statement on racial policy.

In this glacially slow and uncertain process, optimists point to two possible sources of hope for positive change: in the rising, affluent and urbanized Afrikaner middle class which is drifting away from the churches and cultural institutions and is not interested in the sacred symbols of Afrikanerdom; and in the energetic *verligtes* and their campaign for reform. There are probably other factors, as yet unquantifiable, like the effect of television, some changes in education (young Afrikaners are now taught to respect the "Bantu" and his ethnic identity), increasing possibilities of travel abroad, a growing sexual permissiveness, and the infiltration of international fashion and life-styles helped by the astonishing affluence which South African whites now enjoy.

But the power of these factors is limited, and the weight of the *verligte* is behind decent social and economic reform, not radical political change. Moreover, they are reluctant to look beyond the immediate future. Ask a *verligte* for his views in general and he'll give them freely. Ask him for his blueprint and he'll smile and say it's too early. If the plan were put on the table now, the *verkramptes* would pounce on its most vulnerable parts and thus put paid to the whole. Federalism, the logical conclusion of the Bantustan policy and a favorite theme is *verligte* projections, is a touchy subject with the government because it has long been a plank of the opposition United Party's constitutional platform.

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[7] Because of the sinister connotations of its initials, the title of this measure was changed from Promotion of State Security Act to Promotion of *Internal* Security Act. The South African government is often infelicitous in its choice of titles which abbreviate badly, e.g., BOSS, BAD (Bantu Administration and Development), PISCOM, etc.

[8] In an interview with me in Cape Town in April 1976. Two things struck me at once on returning to South Africa after an absence of a decade: Africans were treated more politely by the whites, and the economic gulf between them was wider than ever.

VIII

For the longer view the government invariably refers the inquirer to the "unfolding of the plan," meaning the steady evolution of the homelands policy. The assumption is that it is like a huge spool of tape, with no breaks or surprises, and racial harmony at the other end. The strategy may be modified from time to time and the speed at which it is implemented may vary. But nothing will alter its main thrust because it is the only policy that the Afrikaners fundamentally agree on.

There are many imponderables for the government. They include the criticism leveled by the untouchable Bantustan leaders, of whom Chief Gatsha Buthelezi is the most feared, the hydra-headed young black organizations such as the South African Student Organization (SASO) and the Black People's Convention (BPC), the awkward Coloured leaders, the remorseless way in which more, not fewer, Africans are being sucked into the white areas, and perhaps most important of all, the growing politicization of those people as they live and work cheek-by-jowl with the whites.

The Soweto riots in June and the mass protests which have followed showed that black frustration can erupt on a massive scale and new disturbances, better organized and more politically overt, have taken place since. The impetus came from the students but their feelings mirrored many of the grievances of their parents, the underprivileged labor force that keeps South Africa going. Some black areas were not seriously affected; many workers continued working; elements of criminality, anarchy and personal feuding were undoubtedly present. Nevertheless there was no mistaking the political overtones of the riots. Young urban blacks, in contrast to their parents who have bowed before the power of the Afrikaner state, decided to strike a blow for their own cause. They have not accepted apartheid. In the townships their targets were government buildings—offices, schools, clinics, liquor stores—while in the rural areas the black "separately developed" universities erupted and the legislative assembly in Bophutatswaan, the only homeland apart from Transkei to opt for independence, was burned down. They had been aroused by the exploits of FRELIMO in Mozambique, the MPLA in Angola and, more recently, the expanding guerrilla war in Rhodesia; they have no memory of Sharpeville and the repression that followed. The effect of the violence on the whites has been to strengthen the undercurrent of unease set in motion by the Angolan intervention, a trend exacerbated by the worst economic recession since the 1930s. The government has talked of a "new deal" for the black townships and may continue to make small administrative and economic concessions but that will probably be the limit. What it really fears—a combination of internal revolt and external attack—is not yet in sight.

Meanwhile, the process of polarization in white politics which was already under way—the Left and Right hardening and the majority of Afrikaners and English drawing together in the Center—will continue. A backlash will be resisted by the government but the *verkramptes* will be in no mood to make more than marginal concessions to the blacks. As Rhodesia has shown, a powerful ruling minority does not voluntarily move in the direction of sharing either economic privileges or political control. Afrikaner philosophy is somewhat different in that it has made a commitment to performing a unique act of self-surgery by slicing off small portions of its own flesh. But John Vorster is subject to the same pressures that work on Ian Smith, those that arise from a fearful, cossetted, myopic and widely prejudiced electorate.

As long as Mr. Vorster is Prime Minister one can expect more *verligtheid* abroad and more conservative pragmatism at home. White Rhodesia is at last beginning to see how insecure and isolated it has become. White, particularly Afrikaner, South Africa still feels enormously strong and relatively secure. The country is, nevertheless, passing through difficult times. The current recession is expected to continue until at least mid-1977; the price of gold, a commodity which accounts for roughly 40 percent of South Africa's foreign exchange has plummeted; and while there has been no flight of capital as there was after the Sharpeville shootings in 1960, medium- and long-term investment on which the country depends for growth is slowing down. The result is economic and fiscal retrenchment. There will be less money than ever to remedy the social grievances

of the blacks. Defense spending, up 40 percent this year, will have top priority and will probably increase. Unemployment among Africans has been growing rapidly and is expected to rise to about two million at the end of this year.[9] The whites will also feel the pinch, making them less responsive to pressures for change, especially those that entail economic sacrifice.

None of these difficulties will deflect the government from the path of separate development. However, in order to implement it the leader of the *volk* may need still more power. A change in the constitution, with an executive presidency replacing the present Westminster model, is not ruled out at some future date. Under the present system members of the government must also be members of parliament. An American-style constitution—with, presumably, Mr. Vorster as president—would enable the government to invite leaders of non-white groups, especially the Coloureds, to join the cabinet and yet still deprive them of representation in the all-white political process. Some people in South Africa, looking even further ahead, talk of the inevitability of an Afrikaner dictatorship, ideally an enlightened one, in order to overcome white conservatism on the Right and black radicalism on the Left. There is a strong attachment to the British parliamentary institutions and South Africa cherishes what it regards as a democratic system of government, but part of the Afrikaner's pragmatism consists of being able to devise radical solutions to meet radical situations. The steady erosion of the rule of law during the 1960s shows how single-minded and ruthless the Afrikaner state can be when threatened. Indeed, if a one-party state with an irremovable president at its head where introduced it would be a more accurate expression of the South African policy than the present system, since the majority of the population already have no say in their own government.

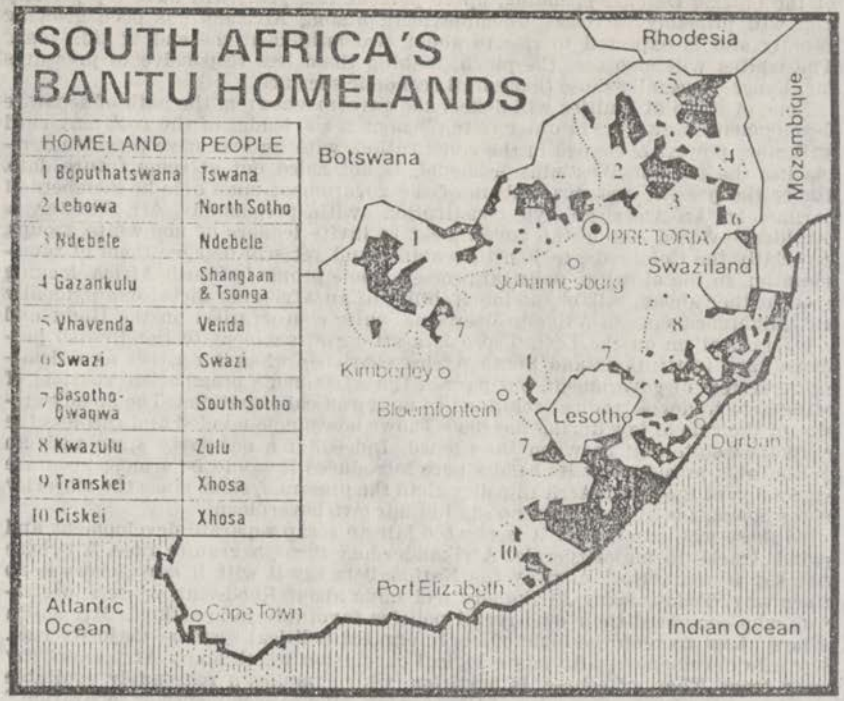
To those who assert that it is not too late to scrap separate development and switch tracks to majority rule, Afrikanderdom turns a granite face. To those who say it won't work anyway the Nationalists say it will, it must, there is no other way. Today, many Afrikaners feel smug about Rhodesian white supremacists who compared their own racial policies favorably to apartheid. Mr. Smith is now about to reap the logic of his integrated political system—majority rule. Separate development also has a logical conclusion which many Afrikaners shy away from. That, of course, is partition, which implies a reasonably equitable division of the land and wealth of the country. "We've seen plenty of separation," says Chief Buthelezi, "but what about the equality and the freedom?"

If Afrikaners are sincere about their belief in ethnicity and a fair deal for all the peoples of South Africa then they must demonstrate their sincerity by showing the world more of that tantalizing spool of tape. How much land and resources will be allotted to the Africans? (Current consolidation plans do not materially alter the grossly inequitable 13 percent.) Are the Coloureds and Indians to remain in limbo? What about the eight million urban blacks who demonstrably do not want either to go "back" to the homelands or to express themselves politically there? Separate-but-equal freedoms suggest dialogue, discussion, trade-offs, compromise. Chief Kaiser Matanzima of the Transkei undoubtedly represents a black consituency. But what about Nelson Mandela in prison on Robben Island, Robert Sobukwe restricted to Kimberley, and the new generation of militants in the townships? Mr. Vorster helped secure the release of nationalists in Rhodesia so that they could discuss a common future with Mr. Smith. Does he not believe that the men he holds behind bars and the leaders in the cities and the homelands—the old and the new nationalists of black South Africa—have a legitimate role to play in the destiny of their country?

The Afrikaners can no longer trek; there is nowhere to trek to. They have to dominate, deal, or die. So far they have chosen the first course. Although many South Africans—Afrikaners, English, Coloureds and Africans—are now urging the government to pursue the second, Afrikanerdom does not yet feel sufficiently threatened. If and when it is, the people who lead may react in a surprisingly sensible and practical way, as their forebears did in similar circumstances, jettisoning dogma and working for compromise. But that time has not yet come.

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[9] Black unemployment is currently running at 20 percent, compared to .2 percent for whites.



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Senator CLARK. Thank you.

COMMENTS ON OTHER WITNESSES' TESTIMONY

I said at the outset we would give you each an opportunity to take a couple of minutes to comment, if you wish, on anything that other witnesses had said. So we will do it in the order to which you spoke, but after that we will ask questions in some other order, probably.

Mr. Kleinschmidt, do you have any comments at all on the testimony by others?

Mr. KLEINSCHMIDT. Thank you, Mr. Chairman.

BLACK LEADERS CALL FOR DISINVESTMENT

I would just like to take up one or two points. It was said that no black leaders in South Africa have called for disinvestment. I would contest that strongly, in the sense that the people we speak about here are a subject for questioning.

I don't think that the homeland leaders, if those are the people who are referred to, can in any way claim to be the black leaders of South Africa. They certainly haven't shown that sort of capacity or the ability to lead in the past 3 months or that they wield any influence over their people in South Africa.

I would rather refer to the statements which have been made in particular by three organizations. I refer to a declaration made by the African National Congress years ago. I refer to the Black Peoples' Convention, and to South African Student Organization, all three who have made strong statements for disinvestment and who, I believe, as a result of the events in the last 3 months have in fact shown that they enjoyed considerable, very considerable support, especially amongst the urban black people. I think that is an important point.

Senator CLARK. Doesn't your testimony also say that Chief Luthuli called for disinvestment?

Mr. KLEINSCHMIDT. Yes; as leader in the ANC then. I think this needs to be understood. I believe as we see the forces which maintain the situation in South Africa are increasing their power through foreign investment, through more investments which, I believe they are using in order to strengthen their position, you will find more people arguing against it. I believe that such forces will come from South Africa and are in the process of coming right at this stage.

Thank you, Mr. Chairman.

Senator CLARK. Mr. Chettle.

Mr. CHETTLE. Thank you, Mr. Chairman.

Perhaps I might take up this particular point at this stage. As far as disinvestment is concerned, I stand by my statement that I don't think any—I hesitate to use the word significant black leader—but I am not aware of any black leader of any stature who has called for disinvestment.

Senator CLARK. You would not call Mr. Luthuli, what did you just say, a black leader?

Mr. CHETTLE. I am really thinking in contemporary terms. I am not thinking of times past. Even the African National Congress, though, is something of an enigma. Professor Edward Feit of the University of Massachusetts in his book on "The African Opposition in South Africa" made this very point. He said there are many things that are difficult to understand about South Africa and one of them is the lack of support relative to the situation elsewhere in Africa given to the major Congress movements.

He did attempt to calculate the membership of the ANC. Even at its highest, they never had more than 20,000 paid-up members. He said that it was very hard to substantiate a much greater membership than that.

If you look at the South African Student Organization, they have made such a statement, but I would draw an analogy between SASO and the SDS [Students For Democratic Society] in this country. If you think the SDS has influence and is representative of the leadership of students in America then you would have to say that of the SASO, as well.

ANC OUTLAWED IN SOUTH AFRICA

Senator CLARK. Isn't the ANC outlawed in South Africa?

Mr. CHETTLE. It has been outlawed since 1961. As far as Buthelezi himself is concerned, my own understanding of his views is that he has

asked for U.S. corporations to step up their investment and the opportunities they make available for blacks; but he has also said that if they don't do that, then they should get out. I would in fact personally agree with that statement.

PRESS POSITION

Several other points that arise from the various testimonies that have been given, one is about the position of the press in South Africa. The statement was made that it is an open secret that there was an understanding between newspaper proprietors and the Prime Minister.

If it is an open secret, it is not open to me. All the evidence seems to me to be to the contrary. I know that Frank Barton, African director of the International Press Institute, which has got a reputation for its neutral attitude on these matters, has commented on how sad it is that the South African press contains more freedom of discussion than any press on the African continent. In fact, I think he said "all the rest of the African Continent press put together."

I know Douglas Brown, in a book called "Against the World" which he wrote several years ago, said that never since the France of the 18th century had there been so vigorously politically palemical a society as South Africa, with everybody getting into the act, and above all, the press.

RECENT RIOTING

As far as support for the recent rioting in South Africa is concerned, I think this is also considerably more complex than we have heard today. I was actually in South Africa at the time that the rioting broke out on June 16.

One of the things that was significant about it was that it started on a Wednesday and went on until the Friday in various forms. On neither Saturday nor Sunday was there any rioting at all. It started again the next Monday.

The general understanding that we have about why that was was that the rioting was essentially confined at that stage, at any rate, to the schoolchildren and when the workers came back home during the weekend, they stopped it and that it only began again when they went to work on that next Monday.

Even the strike that we have heard about seems to have been a very badly supported strike and the implication that one can draw as far as one can is that there is not much support, perhaps for economic reasons, perhaps for other reasons, for that particular weapon.

Senator CLARK. Just a couple of minutes, because we have a vote on. Then we will have time for questions.

Mr. St. Jorre?

POLITICAL PERSUASION OF BUSINESSMEN

Mr. DE ST. JORRE. Two short points. First, Mr. Chettle said the businessmen in South Africa are to the left of the government. I con-

test this. Some are, I am sure; but I have the impression that the big corporations and the people who lead industry go along with the government for various reasons.

As evidence, I would put forward a survey that Anglo-American—the giant mining conglomerate in South Africa—conducts every 5 years. The last one was in 1975. They questioned 3,000 leading executives. They found them very conservative, with the top echelon of manager definitely behind the status quo.

DESEGREGATION, OTHER SMALL CHANGES

Another point about desegregation and the small changes that have happened in South Africa society. Helen Suzman summed this up very well. To the outside world, she said, these changes mean nothing; to the blacks in South Africa, they mean very little; but to the whites, they mean a hell of a lot. I think that is a good summary.

These changes do mean a lot to the whites. It doesn't mean very much to the blacks. Whether you can stay in a five-star hotel or not isn't very important to the black man in South Africa.

As with most things in South Africa, when there is change, there is always a caveat, there is always something held back. In the five-star hotel category a black man can sign in but he can't swim or dance and he can't drink in the bar in which there are women present. This is very typical. It is two steps forward and perhaps one step back in many cases. As I say, whites see these as dramatic changes. Blacks don't.

ACHIEVEMENT OF RACIAL CHANGE IN A SOCIETY

A third point is something we should perhaps all think about a little. How do you achieve racial change in a society? Our experience in Britain, and I know your experience here, is that you need legislation. You need leaders getting up and saying we have got to change our ways. It can't be done overnight, but we have got to do it and we must have laws on the books so that people can be forced to do it. We must have busing, we must have legislation, we must have this and that.

In South Africa they say they can do it the other way. We musn't have anything on the law books except the separate development policy which, of course, is a segregationist policy.

They say that because of our people, the whites, and because of the blacks, too, that there will be friction if we make laws and enforce these things. We have to do it in a subterranean way, underneath.

The question here is can this be done? Can you change people's attitudes or encourage change without legislation and without the leadership getting up and saying we must change?

HEARING PROCEDURE

Senator CLARK. We are in the last 5 minutes of the vote. We will recess until Senator Percy returns and then he will start the questioning.

We will stand in recess. I think he should be about 2 or 3 minutes.
[A recess was taken.]

Senator PERCY [presiding]. The committee will come to order. We will carry on. As I understand it, we are ready for questioning.

ECONOMIC STRENGTH

Mr. St. Jorre, I do not know whether or not you were asked to comment on Mr. Kleinschmidt's conclusions that the economy of South Africa not be strengthened any further.

He called for a total and immediate withdrawal of investments, a total arms embargo, a total embargo on nuclear technology. Would you care to comment on his feelings about that, if you haven't already?

Mr. DE ST. JORRE. Yes. My feeling is that it is very difficult to tell how the Nationalist government will react to any kind of pressure.

On the one hand, they go to ground and say we are on our own and if pressure is mounted from outside, we are not going to take any notice of it and we can go our own way. In effect, the line hardens. Other occasions, when pressure is applied, it softens, although you usually can't see the way in which it softens until much later.

It is certainly true that the South African Government regards itself as vulnerable economically. In terms of arms, any cutoff from outside would hurt it. It has recently been trying, and has been succeeding to a certain extent, to make itself more self-sufficient.

Its whole economic structure is geared to self-sufficiency. Its various links with other middle-ranking powers like Iran and Israel are evidence of this turning away from the West, looking for mutual benefit with other countries.

Certainly, in terms of its military capacity, it is making more of its own arms. It is trying to make itself less vulnerable, in effect, but it can't cut itself off completely.

I think action taken against the South African Government by the American Government, the kind that Mr. Kleinschmidt speaks of, will have a very strong psychological effect. It will shake the confidence of the government. It will shake the whites.

What it will actually do in terms of weakening the power of the government, I would not say. I couldn't say. I suspect in the event of an American cutoff of trade and the arms embargo, South Africa would turn elsewhere and there will be plenty of suppliers. There are plenty already.

Senator PERCY. Of course, we do have a total arms embargo with South Africa. We certainly limit nuclear transactions so that really we are only talking in a sense about disinvestment.

PSYCHOLOGICAL EFFECT OF DISINVESTMENT ON PRESENT GOVERNMENT

Can you be as precise as you can about what effect you think psychologically—how would the present government of South Africa react? Would it further our objectives and aims or would it possibly set them back even by lessening our influence?

This is where Mr. Kleinschmidt and I are certainly together on objectives. I don't disagree with you on objectives at all in all of our conversations, but it is the means of how you get there. That is what we are struggling for, to find the right means.

Mr. DE ST. JORRE. I am not entirely clear what American objectives are in South Africa. Let me limit myself to two comments. One, if you disinvest, it would be a psychological blow to South Africa. I don't think it would be a mortal or even very serious economic blow.

Senator PERCY. Again, it is your feeling that we don't have as much power as sometimes we are accused of having or given credit for having. I agree with that. I look at the facts and figures.

We can't overestimate how much we are able to do. So I tilt toward your position on this, though certainly with Mr. Kleinschmidt, I am fully in accord with his objectives and goals.

Mr. DE ST. JORRE. If I could add one thing, I would say you don't have that amount of physical economic leverage; but you have a very large moral leverage, a very large diplomatic leverage which is important, I think; but the economic one isn't very strong.

Senator PERCY. Mr. Chettle, you know that Mrs. Percy and I spent a good deal of time with Dr. Jan Marais and we were impressed with what the foundation is doing. I didn't realize at the time you even disavowed tax deductibility. This is a purity that not many of our foundations here would be willing to adhere to. I am even more impressed with it.

U.S. ECONOMIC LEVERAGE

Could you comment on your and Mr. St. Jorre's feelings about how much leverage we have economically? What if we did engage in a disinvestment program?

Mr. CHETTLE. Mr. Chairman, I imagine you probably have not had an opportunity to look at the second appendix attached to my testimony.

Senator PERCY. I have scanned it, but I have not gone through it carefully. For that reason, I appreciate your summarizing the foundation's position.

Mr. CHETTLE. By all means. I have tried to be as careful as I can in discussing this very question about how much leverage the United States actually has. The conclusion that I reached, rightly or wrongly, is that it is much less than it is normally regarded as having.

In the first place, if you think of it in terms of trade, the United States enjoys a favorable balance of trade on its trade with South Africa; something in the order of half a billion dollars a year or more than $1 million a day.

So if there was any interruption in the trade side of its relationship, the disadvantage would be rather that of the United States than South Africa, more particularly bearing in mind that some quite vital raw materials are included in the imports that the United States takes from South Africa.

I have tried to make some kind of assessment in appendix A [See p. 41] of just what those raw materials are, what access the United States has to those raw materials from other sources, and so on.

Coming over to the investment side, the U.S. investment in South Africa in book terms is about $1.4 billion. If you take it in replacement terms, it is probably something like $3 billion or $4 billion.

If we have to talk about disinvestment, I think the first thing one has to decide is how disinvestment is actually to be achieved. You know that far, far better than I. It has to pass through the U.S. Congress and that is, to say the least of it, a difficult process; but assuming that that can be done, what actually would it do?

The first thing is that according to the current regulations, to take any money out of the country as opposed to profits which can be freely repatriated, but to take any capital out of the country, you can do it in one of three ways.

You can buy what are called investment rands, which sell at about 40 percent below the actual exchange value of the rand. If you did sell your investment, you would have to take that 40-percent loss immediately.

The second alternative is to buy what are called American nonresident bonds, which are 3-year bonds, and at a very low rate of interest. The third would be to get 5-year South African Government securities, which are slightly more attractive.

If the United States made a regulation calling for immediate disinvestment, the obvious result of it would be that the companies would have to sell out their assets in South Africa, goodwill, physical stock, and assets, and they would certainly do this at a knockdown price because it would be impossible for them to negotiate widely since they would be in the position of forced sellers. So they would certainly incur a major loss from that.

Then going further than that, they would most likely have to buy some South African Government security, before repatriating their capital. So you would have the paradoxical situation that for 3 to 5 years, the proceeds from the sale of the U.S. companies would actually be supporting the finances of the South African Government.

In addition to that, I would strongly emphasize that in our experience, blacks have been almost unanimous in asking that disinvestment should not take place, though also in emphasizing that U.S. companies should be as conscientious in improving the lot of their black employees as possible.

One example of this is the Polaroid Corp. When there was considerable pressure against Polaroid a few years ago, a group from Polaroid, consisting of two blacks and two whites, went out and spent 3 weeks in the country and asked a wide cross section of people, what their views were about disinvestment.

When they came back, they reported that not one single black that they had interviewed in that entire time had called for disinvestment from South Africa. Paradoxically, the only person who had done so was a white attorney.

So it seems to me that the evidence is so clear that I don't think there is room for a great deal of debate, that it would not be effective and that it is generally opposed.

Senator PERCY. Mr. Chairman, if we are going to limit ourselves to 10 minutes, I would finish up with one brief question.

Senator BIDEN. I will be happy to yield my time to the Senator.

Senator PERCY. One last question I would like to ask in the first go-around, a tremendous amount depends upon our perceptions of the personality, characteristics, strengths and weaknesses of Mr. Vorster, just as we are depending a lot on Secretary Kissinger at this time. I presume the assessment of him is going on on all sides. We must assess Mr. Vorster.

To the extent that we can in an open session like this, you have all been very frank, certainly. Mr. Kleinschmidt said he views with extreme distrust Mr. Kissinger's present intentions and efforts and takes a similar view of Mr. Vorster.

ASSESSMENT OF VORSTER PERSONALITY, LEADERSHIP

The conclusion I reached after meeting with Mr. Vorster, and Dr. Peter Poole was with me, I said in my report the meeting did nothing to change my view that the South African racial policies are both irrational and immoral in today's world. However, I was impressed by Mr. Vorster's frankness and his shrewd perception of his country's foreign policy interest.

The test of his statesmanship may well be in whether he merely seeks to shield South Africa from the wind of social change or whether he uses his many political assets to reorganize South African society in ways that will help him continue to lead his nation out of semi-isolation. I waffled there; I didn't come to a real conclusion.

How do you think Mr. Vorster will respond, faced with the facts he is faced with now, pressures of all kinds being exerted on him, and being asked to exert pressure on Rhodesia? What is your assessment of his personality and what he is likely to do?

Senator CLARK. Who did you ask the question of?

Senator PERCY. All three of them, a very brief comment from all three of you. How do you assess his personality, as the leader of South Africa? Do you think he is capable of making adjustments and change that will avoid violence and bloodshed that I think will inevitably come if he doesn't?

Mr. CHETTLE. I would go along with the description that was offered by Mr. St. Jorre, saying he regarded Mr. Vorster as a pragmatic conservative. I think he is a man of immense willpower. He has shown that he is not prepared to be pushed around, but at the same time, he is sufficiently pragmatic to see where South Africa's interest lies and where possible points of pressure can be applied. I think he will be responsive, provided that it does not affect South Africa's vital interests.

Senator PERCY. In contrast with Ian Smith, would you say it is almost beyond repair? I don't see any resemblance whatsoever; I don't see any intelligence in Mr. Smith's policy. I think it is the most stupid political leadership we have in the world today.

He is going to go down in history as betraying all of his white people there, by his intransigence. But you say there is a good deal more hope for Mr. Vorster? He is pragmatic and practical?

Mr. CHETTLE. Yes.

Senator PERCY. Do any of you want to comment?

Mr. KLEINSCHMIDT. Mr. Chairman, I would like to say that the pragmatism which is attributed to Mr. Vorster, I believe is largely the result of his being sensitive to extreme pressure, both from outside and from within the South African business community.

That doesn't come to him very naturally, I believe. I think deep down he is a strong fighter who, in fact, is extremely conservative and reactionary. I believe that his personality, which one finds echoed in his whole cabinet as well, will win over the aspect of pragmatism at various stages.

I think this is the tension which exists there at the moment, but which is not a guarantee for any peaceful solution whatsoever. I believe that the adventure into Angola was a clear indication of destroying his diplomatic efforts in order to come to terms with the situation he felt he had to engage in at that stage.

Senator PERCY. Mr. St. Jorre?

Mr. DE ST. JORRE. I would say, Mr. Chairman, that there is pragmatism and the courage shown in Mr. Vorster's handling of external affairs, in foreign policy, even in Angola, for that was an exercise within his policy of détente with Africa.

He couldn't have gone into Angola without support from black Africans and he pulled out when he saw his position was untenable, which is a sign of pragmatism and courage. I think he will continue in that vein in his foreign policy; but at home, I am not so optimistic.

I feel that he is more realistic than most South African leaders; certainly than his predecessor. He perhaps would like change and like to adapt the system, but what can he do? What can any South African leader do, apart from modifying the system and this, I think, he will do.

He will give a better deal to urban blacks. He might give more land to the Bantustans. He might make the whole thing more attractive in social and economic terms. He will certainly continue his policy of divide and rule—which has been fairly successful amongst the blacks. What else can he do apart from scrapping the whole system? He can't scrap the system and stay in power.

To my mind, he is caught on the horns of a dilemma, the same way as Smith is in his internal situation. There is little more room for movement. He is a much more astute man, a cleverer politician than Smith. I would agree with that; but he is still stuck with a system and with the people and neither of those are going to move, I think, very fast. I don't think he can change.

Senator PERCY. Thank you, very much.

Senator CLARK. Thank you, very much.

I would like to ask again, as you did in response to questions in time, try to limit your answers to 1 or 2 minutes so we can cover a good amount of territory. I have a couple of questions that seem to be most basic.

GOVERNMENT COMPROMISE WITH APARTHEID

First to Mr. Chettle, is there any indication that the South African Government is prepared to compromise with apartheid itself, with

separate development? In brief, is there any sign that the government will share political power with blacks in South Africa?

Mr. CHETTLE. I think that you have got to make the distinction, Mr. Chairman, between partition on the one hand, and the abolition of racial discrimination on the other. I can see a great deal of progress eliminating racial discrimination.

I think an increasing number of South Africans are prepared, as the opinion polls have shown, to move away from racial discrimination. I am sure the government is not going to move away from so-called greater apartheid or partition.

In fact, one thing I would anticipate would be that we would see some kind of acceleration, perhaps an acceptance of the idea which was mooted some years ago by the Chairman of the Council of Scientific and Industrial Research said that, instead of the painful business of expropriating land to give to the new black homelands, there should be an agreement between the black homeland leaders and the South African Government that areas encompassing both black and white land would fall within the new black homelands and that they should then move toward the independence of those homelands as fast as possible. I would anticipate that we are going to see something like that.

Senator CLARK. If I understand what you are saying and what you said in your testimony, abhorring racial discrimination and quoting, I think, the president or the chairman of your foundation, in the same vein, you want to see racial discrimination within South Africa itself in relations between races, but you are opposed to giving blacks any participation, either in terms of voting or in terms of holding office in South Africa itself?

Mr. CHETTLE. No. The foundation hasn't taken any position about what the political solution should be—it embraces a complete cross section of opinion, and opinion within the foundation would be very sharply divided about that.

Many of our trustees would believe in fact that you have got to have a unified structure in South Africa and that blacks and coloreds and Indians, as well as whites, should be fully represented, perhaps on a merit basis, perhaps on some kind of wider basis within the political structure; but what the foundation has condemned is racial discrimination as such.

GOVERNMENT POLITICAL POWER SHARING WITH COLOREDS

Senator CLARK. You would agree, I gather, in the first part of your answer with Mr. St. Jorre that you see no indication of the government taking any action to share political power in South Africa either in terms of voting rights or holding office in South Africa itself?

Mr. CHETTLE. I wouldn't agree with his view completely because I think there is an interesting movement going on as far as the colored people are concerned. One interesting poll that was taken recently of 3,000 voters throughout South Africa showed that 83 percent of those responding said that they would support the government if it brought

the coloreds and whites closer together; and 58 percent of that poll said they would be prepared for some form of Parliamentary representation for the colored people.

Another poll which came to light was among members of the Broederbond, of which Mr. St. Jorre spoke, which is a very influential organization in South Africa.

This indicated that 73 percent of those polled believed the same thing. In fact, a higher proportion of members of the Broederbond believed there should be Parliamentary representation for the colored people than of the populace as a whole. Whether the government is going to move in this direction or not, I don't know, but I think these riots have shaken them up. I believe that they may move in this direction.

COLORED REPRESENTATION IN PARLIAMENT

Senator CLARK. I am interested in your comment that a majority might now favor some kind of mixed race, colored representation in the Parliament. Isn't it true, until the early sixties, that they did indeed have some form of representation in the Parliament and that that has been denied since that time?

Mr. CHETTLE. Yes. It was until 1956 that that was the case. This would be a return to the position which prevailed at that time.

KISSINGER—VORSTER GENEVA TALKS

Senator CLARK. Mr. Kleinschmidt, you referred briefly to the Kissinger-Vorster talks or at least Mr. Kissinger. I wanted to ask you as an observer of South Africa, of a South African citizen, what is your view of the Kissinger-Vorster talks in Geneva?

How do you view those meetings, the possibility of a Secretary of State in shuttle diplomacy between the black African states and South Africa itself? How do you view that?

Mr. KLEINSCHMIDT. Mr. Chairman, first of all, I am viewing the situation of the attitude that was displayed at the time of the change of power in Angola, and that at this stage there remains to be a nonrecognition by this government, of the Angolan Government——

Senator CLARK. Of the American Government?

Mr. KLEINSCHMIDT. Yes. Then the whole debate over Namibia and Rhodesia for what it is said by Mr. Kissinger as desirable at the moment becomes somewhat doubtful and I think this factor must not be ignored in terms of how this is viewed back in South Africa by people there.

I think that there is a suspicion that the negotiations which are engaged in are primarily going to end up as a delaying tactic, as a way of buying time in order to diffuse a situation, no doubt, with making some kind of concessions, but at a time when, within South Africa, we are interested in fundamental change and not the cosmetic change which is very extensively engaged in by Mr. Vorster at this stage.

We are very concerned that this might just be an addition to this or an extension of that.

I think that for as long as Mr. Kissinger is talking to Mr. Vorster without there being any sign of any real engagement and not just a misuse of South Africa, we have learned in South Africa through our own government extensively the misuse of the word dialog.

Dialog is a word which is not in good order in South Africa anymore because this was used by Mr. Vorster extensively 2 years ago in the South African context. Nothing came of that. Now there is an extension of this dialog. I think the majority of the people in South Africa will be very suspicious of what is going on that we may not know about.

GOVERNMENT POLITICAL POWER SHARING WITH BLACKS

Senator CLARK. Let me ask you a different question now. Do you tend to agree with Mr. St. Jorre, and to some degree with Mr. Chettle that there is little likelihood that this government of South Africa or any Nationalist Party government would, in fact, share political power in South Africa itself with blacks?

Mr. KLEINSCHMIDT. I do not believe they will share power with blacks, no.

Senator CLARK. Under any circumstances now or in the future?

Mr. KLEINSCHMIDT. No; I don't believe they will.

Senator CLARK. Just briefly, what does apartheid mean in terms of the everyday life——

Senator BIDEN. Mr. Chairman, could I inject?

Senator CLARK. Yes.

REVOLUTION

Senator BIDEN. You don't believe the Afrikaaners will share power now or in the future. So I assume from that answer the only way the position which you support is going to occur is by revolution, by all-out war, taking by force? Is that correct?

Mr. KLEINSCHMIDT. Or by pressure, which they cannot otherwise bow to, which I think will involve, to some degree, this. This has been spelled out by most recent events. This is in fact now on the cards.

Senator CLARK. Good question.

APARTHEID MEANING TO AVERAGE BLACK

What does apartheid or separate development mean to the average black citizen in South Africa? What does it encompass, just briefly?

Mr. KLEINSCHMIDT. I think here we are in fact dealing with the real issue which is away from the theory of what the separate development or apartheid might be about.

I think we have to do not so much with the inadequate implementation of a policy, but far more fundamentally with the bureaucratic administration as can only happen through an authoritarian state.

I think it is that kind of violence both through South Africa's laws, as well as through social custom and through the very basic human relations in South Africa, which is the overriding experience of a black person, would refer to when he speaks of what he is opposed to in the

South African situation. That counts at this stage; that is the fundamental issue.

Senator CLARK. What does it mean just in the simplest terms, in terms of black movement, black jobs, black living, all of the things that you or I or anyone else come in contact with on a day-to-day basis? How does the separate development or apartheid affect a black on a day-to-day basis?

Mr. KLEINSCHMIDT. From the most fundamental matters there is an inadequate housing availability in all areas, not only in rural but in urban areas. This has grown to gigantic proportions. The fact that people are constantly at a severe level of insecurity because of the fear of being moved to another area, be it on a temporary or on a permanent basis.

The fact that this would endanger their livelihood in being close to industrial points where work opportunities can be attained. These are, I think, the basic issues which need to be faced and which people are very clear about and can articulate very easily.

GOVERNMENT POLITICAL POWER SHARING WITH BLACKS

Senator CLARK. My time is up. Mr. St. Jorre, I gather from your testimony—I want to be sure that you say it succinctly and I think you already have perhaps—is it your view that as long as the Nationalist Party and the present party stay in power in South Africa, that there is really no likelihood of their sharing political power with blacks in any way?

Mr. DE ST. JORRE. Yes; that is right. I would say that they won't share power with blacks or anybody else.

Senator CLARK. Thank you.

Senator Biden?

Senator BIDEN. Thank you very much.

POLITICAL VIEW OF AFRICAN SITUATION

I have a few basic questions. They may be a little bit too blunt. I apologize for that if they are taken that way. I don't mean it to be offensive. But I would like to know your opinions on several matters.

It has been only the last 6 months that the continent of Africa, as a practical matter, has leaped into the press in this Nation and my constituency, the average Delawarean, for example, became aware of where Angola was, what it was, who was involved. The only thing we heard prior to that was really chrome and Rhodesia. There wasn't much else that was being spoken of really in practical political terms.

Now Africa, South Africa, has leaped to the forefront of foreign policy considerations in the American political system.

I think, and I am generalizing I admit, and as Clements once said, all generalizations are false including this one, the press, the American press, and many of we American politicians, talk about the inevitability of black supremacy in all of Africa, also in South Africa.

I am not sure we know what we are talking about.

I would like to pursue the question of that inevitability. You three gentlemen here this morning—I apologize for missing the testimony

of two of you, I was at the Intelligence Committee getting briefed by the Defense Department—have all said at least in response to questions and in interacting with regard to one another's testimony, I think you have said that, first: the present government is intransigent in terms of the question of whether or not the basic policy of separation will be eliminated.

You are all in agreement that there is not likely to be any movement on that basic fundamental issue of apartheid, as long as the present government, the present party is in power?

Second. You have all stated in one way or another, I think, that there is a feeling that outside pressure from the international community has some effect, some good, some bad, but it is not unnoticed in South Africa by the average South African, black, white or colored, or by a bureaucrat or elected official in the present government.

It brings us to what we here in this country, many of us, say very lightly, that inevitably there will be black rule in South Africa. But it leaves a gap. The gap is that there is going to be no movement, in an editorial sense, as long as the present government is in power, and we have been saying generally—as I think is partially evidenced by the report filed by Senator Percy—that the inevitability of black political power participation is looming in the forefront.

Are we wrong, we who say that is inevitable, and if we are, tell me why and if we aren't, tell me whether or not the only way it is going to occur is through violence internally, bloodshed, a physical revolution of sorts in Africa, in order to wrest power from the present government or whether outside influence can in fact bring down the present government. Because the bottom line again is as long as the present government is there, you all say there is not going to be any change in the basic fundamental policy—which we at least all say in this country is abhorrent, yet we practice. We are very adept at the way we do it here.

But at any rate, would you like to comment on my little diatribe there, any one of you? All of you, hopefully.

Mr. KLEINSCHMIDT. I will start, Mr. Chairman.

If we see this in relation to how the picture can be contributed to positively or negatively from outside, from, for example, the United States, then I think there are of course a number of possibilities and options open.

One of them is the subject of investment. I have tried to contend and I believe this to be really crucial at this moment, that to stabilize, to strengthen that factor in the southern African situation, which is the source of creating that tension, stabilizing the South African Government, which is perpetuating, which is creating racial violence, if it is allowed to continue, that I would argue is extremely bad, is extremely dangerous.

Therefore, I, in fact, believe that it is a contribution to a peaceful situation if one says, right, handsoff at this stage, handsoff at this moment.

Senator BIDEN. If that does not occur, if this government and other governments in the international community do not do that, then what will happen in your opinion?

Mr. KLEINSCHMIDT. I believe that the inevitable course as you, yourself, have put it, is that at some stage there shall be black majority rule. I believe that is the historical inevitability.

I believe if blacks will not participate in the decisionmaking process of a united South Africa, that would be against the course of history. So if that is an accepted fact, the only thing we are arguing about is the time scale in what happens during that time scale, then I believe it is important to make a contribution, that will not strengthen this factor in the South African connection.

I don't believe that foreign investment is the only factor that is going to be bringing the South African Government to a position where it says, if that is so, we will give up.

I believe it is an important contributory factor, a very important contributory factor. Naturally, we cannot only speak of this happening from the U.S. angle either. It needs to be in coordination with others. I have no illusion about the practicality of this.

DO WHITES FEEL THREATENED?

Senator BIDEN. Do you believe that the whites feel threatened at this point? One of the witnesses, I forget whom, said at this point they felt the white population did not really feel threatened by the black population, and if your country is the same as ours, and I think mankind generally, you tend not to move until you feel threatened.

Do you have any belief that there is any reason or that they do feel threatened? Let me put it that way: do you think?

Mr. KLEINSCHMIDT. I agree with the view put forward. I think a large section of the whites simply do not feel threatened and they do not feel what happened is something consequential to them at this stage.

Mr. CHETTLE. Mr. Chairman, the Senator has asked a very thoughtful question and one that is hard to answer, but I will try, as best I can, without going on too long.

To some extent, it seems to me that the situation in South Africa is frequently misinterpreted in that people think of it as a caste rather than a class situation. I think that the element of caste distinction——

Senator BIDEN. Class in an economic sense?

Mr. CHETTLE. Yes; in an economic sense. This is rather more important than the emphasis frequently placed merely on color of skin. Or, to put it another way, as people rise economically in the scale, I think the color distinctions against them seem significantly to diminish.

I had an interesting illustration of this quite recently when I met with Dr. Kenneth Clark, the black psychologist, who said that on his recent visit to South Africa, one of the things that struck him was the absence of antagonism between black and white.

He gave various reasons that he thought were appropriate for that.

I mention this as a preliminary to saying why I think that the situation is likely to change much more peacefully than I know Mr. Kleinschmidt would believe. But one can put it in rather cruder political terms than that.

Crane Brinton's book on the "Anatomy of Revolution" is, I think, interesting in this particular context. Brinton examined, as you probably know, the American Revolution, the French Revolution, the

British Revolution, and the Russian Revolution of 1917 to see what kind of common factors he found in those four revolutions.

He found that, first, these revolutions didn't take place unless there had been a major breakdown in administration.

He also said that in each case there had to be the alienation of a large part or the whole of the army before the state fell.

This was investigated some years ago by Prof. Julius Lewin, now at the University of London. He concluded, I think correctly, that it was hard to imagine circumstances in which either of those factors would prevail in South Africa.

But you must also take into account that there is a population of 4 million whites down there, that they have control of the levers of power, that they have an army which is small in permanent standing force terms, but that they can call on very large reinforcements at least in terms of the populations in that area, that they have massive defense resources and a high degree of technological skill.

It is hard to see how that kind of scenario could be realized.

I think, moreover, that those who would reject violence are obliged to look at other ways in which change can be brought about.

That is why I do not reject gradual improvement, the gradual evolutionary course. I would also add one other comment.

I was asked earlier whether I believed that the South African Government would share power with blacks. I said no, I didn't think that they would, that they would push on with partition which, of course, they regard as sharing power with the blacks, because after all, they are creating separate independent states in which the blacks can exercise power.

One perhaps should just note that it is wrong to look at the black population of South Africa in totally homogenous terms.

You have nine major language groups among the blacks. You have approximately 260 different dialects. You have nations or tribes which have often historically been hostile to each other.

So that even in terms of the situation that we found, for example, in Nigeria, the policy that they have advocated makes a certain sense.

I believe, though, that a lot of white South Africans would be prepared to contemplate something that the present government is not prepared to contemplate and my own president has said publicly that if you look down the road to, say, the year 2000, he could envisage each of those homelands having obtained its independence so that South Africa would then consist of one residual South Africa and eight or nine African independent states; but there would be both the coloreds and the Indians, and a residual urbanized black population which was so thoroughly urbanized, and so cut off from contact with the homelands that they could not be absorbed within them who would share citizenship rights of the fullest kind.

This is one man's view and it would not be shared by a lot of other South Africans, but I mention it because there are other alternatives than the ones that have been sketched today. I think one always has to take it into account.

Senator BIDEN. I always find it fascinating how we Caucasians urge patience. It is really a virtue of which we expect colored and blacks as in the South African context to have an abundance; but anyway, 2000 is a long time away if you are 18.

PRESSURE FROM UNEXPECTED EVENTS

Mr. DE ST. JORRE. Mr. Chairman, I think the key issue here is we are talking about pressure and change. I think if you look at even very recent history of the area, pressure comes from unexpected events.

The coup in Lisbon in April 1976 and the subsequent collapse of the Portuguese empire in Africa was the biggest source of pressure on South Africa. It was unexpected, but it happened.

South Africa reacted and a lot changed, not internally, but a lot changed in the area. I think we have to bear this in mind.

The Angolan affair had a profound effect on the whites and the blacks in South Africa. It had an effect on the whites in the sense that Mr. Vorster said it was time to deal with the blacks in Africa in a more meaningful way than in the past and we have to give something as well as take.

So he did it. It was effective. It was pragmatic, the phrase we keep using, but it was. He was very realistic and flexible too.

These events also had an effect on the blacks in South Africa. It politicized them and it is politicizing them more and more. Here is where the time scale in terms of the year 2000 is unrealistic. The blacks won't stand still in their minds. They may stand still in their bodies, in the economic, political and social limbo in which they live but their minds are going to move.

My limited experience of that part of the world is that what happens next door and what you hear on the radio is very, very important. If you can focus it on social and economic discontent, then so much the better. Then you can do something about it. I think that is what the recent riots in South Africa are about.

So we have to look at the real political events that happen in the area. These, to my mind, are far more important than whether America invests or disinvests, whether Britain does the same, whether we play rugby or not with South Africa.

I am not running these pressure points down. But they fade into virtual insignificance when it comes to the real events in the area. I think we have to look at the forthcoming political events in the area to see how change might happen in South Africa.

Let's look at Mozambique and Angola. We now have the threat of contagion from Rhodesia and Namibia reaching South Africa.

Senator BIDEN. Contagion in what sense?

Mr. DE ST. JORRE. Political contagion, racial contagion in the sense that if Rhodesia and Namibia are allowed to fight it out, and a solution isn't imposed from outside to a certain extent, this will spill over into South Africa or this will make the Government of South Africa's position far more difficult.

ORGANIZED INTERNAL MOVEMENT WITHIN BLACK COMMUNITY

Senator BIDEN. Is there any evidence that there is enough of a nucleus, of organizational strength within the black community to do anything other than sporadically have outbursts of violence?

Is there any evidence of a tough, organized internal movement within the black community as diverse as it is?

Mr. DE ST. JORRE. I couldn't really say, but my impression is that there isn't. Even if there were, the South African Government is strong enough to cut its head off, temporarily anyway. But I think that is not really the point.

The contagion could infect the white political system in South Africa if you get a bloodbath in Rhodesia or increased fighting in Namibia. Mr. Vorster asked himself a rhetorical question recently: what would I do if 100 Afrikaners were killed in Rhodesia in a week? What would he do?

There would be an outcry in South Africa to go in and help, at least to bail his own people out.

This is what I mean by contagion. I think it would infect the white political power structure. It would hit the white population more than the blacks, at least initially.

Senator BIDEN. In what way? Would it make them more intransigent?

Mr. DE ST. JORRE. Yes; and it would leave Vorster less room for maneuver, both on internal change and putting pressure on Smith and the whites in Rhodesia.

It would put an emotional charge into the whole thing that doesn't exist at the moment because he manages to distance the Rhodesian and the Namibian problems from his electorate.

He doesn't tell them very much. He tells them every now and again and reassures them. He doesn't spell it out. He doesn't think he has to because this is foreign policy. But when it comes to whether you are going to drink in a bar or get the same pay as a black man in South Africa, that is a different problem. I am talking now about the effect of white and black confrontation in Rhodesia and Namibia.

So it would have an effect. This is what he is obviously trying to avoid—this is a big threat to him. This could be the Portuguese coup, if you like, of 1976. He has got to deal with the Rhodesia and the Namibia problems and he is tackling them now.

Assuming these two issues are settled reasonably peacefully within the next 2 or 3 years, what happens next? You then have black states all around South Africa, some may be moderate, some not so moderate, some may be stable some unstable.

So you have to look at that situation and think of the effect on the whites and blacks in South Africa. Mr. Vorster, as we all know, is pragmatic and would try to deal with these things in the way he is dealing with Mozambique very successfully now, through whatever means at his disposal.

He may not succeed with all of them. At the same time, the blacks in South Africa will become more politicized because they will have blacks as neighbors in independent states.

There will be a greater drive in Africa to finish off minority rule in South Africa. So the pressure will build up again. This will be real pressure and he will have to deal with it. And I think other pressures, industry, investment, threats from outside, will be less important than the black one on his doorstep.

The thing that I think any South African Government fears most is the linking up of these two black forces, the internal threat and the

black power on the borders. African Presidents have made it clear that they support liberation movements operating against South Africa from their borders.

Mr. Vorster will have an external threat to face and he will always have the potential for unrest and disorganization internally and the danger of the linking up of these two threats. Then what does he do?

And what does he do in the meantime? Push on a little faster with the unrolling of the apartheid plan which has given a little more of South Africa's wealth and technology to blacks, either in the homelands or in the black urban areas of white South Africa.

As we agree, he won't change the whole framework of separate development but he may move faster. There may be a homeland called Soweto. There may be a leader of Soweto, on a par with Chief Buthelezi. Who knows? But I think that is how he will move.

Black and white units may be linked in some kind of federal system, but there won't be power-sharing where it matters. The whites will still govern themselves.

I think the logic of apartheid and Mr. Vorster's policy is partition. It may be a fighting partition like Cyprus or Lebanon, assuming that the pressures continue.

If the pressures do continue, there is another point one should not forget, and that is the demographic factor. In the year 2000, whites will be outnumbered by 8-to-1. Now they are outnumbered by 4-to-1.

A lot of those blacks will be in the white areas. They won't be in the homelands. So I think you have these real pressures building up. Vorster has got to deal with that and he will only change the separate development policy under real physical pressure, when somebody is actually pushing him off his pedestal or threatening, is a credible way, to do so.

Senator BIDEN. Thank you very much.

ABSENCE OF BLACK HOSTILITY QUESTIONED

Mr. Chairman, I would like to make one closing comment. Mr. Chettle, you mentioned someone saying that they are impressed by the absence of hostility. I think maybe a little bit of a look at our history in this country might be interesting in that regard.

Time and again, we have commented before the Civil War and as recently as the fifties in the South about the absence of hostility between blacks and whites and time and again we are told about that. Even now we are told about that absence of hostility in areas of the South. I just raise that. You might want to take a little bit of a look at that.

Mr. CHETTLE. That is a very good point, Senator. In the normal course of events one would be rather cautious about a statement like that because an awful lot of people who have a certain interest in the perpetuation of racial discrimination like to say blacks are very happy.

But the significance of that remark was, I thought, that it came from Dr. Kenneth Clark, who has as deep a conception of that reality than I have, far deeper.

Senator BIDEN. Than I, I am sure.

Senator CLARK. Was that prior to June?

Mr. CHETTLE. He said this to me the other day.

Senator CLARK. I don't see how someone could read the paper or watch television and say that blacks and whites in South Africa get along quite well and there is little friction between the two.

I mean, I read the headline of the New York Times this morning, the Washington Post; it just doesn't seem to me it is in a real world.

Mr. CHETTLE. I would personally argue in fact we are going to see more friction and more anger. After all, if you do accept the de Tocqueville thesis, which I indeed do, that as things improve, the things that have not improved become more galling, then you must expect that kind of reaction.

Senator CLARK. I agree. That is why the statement seems so out of place to me. I think it is bound to.

Senator Percy?

Senator PERCY. When you say, Mr. Chairman, you don't feel you are in a real world, I think the very words I used in Johannesburg when I met with a cross section of the economic and political leaders, I said I almost feel like I landed on Mars.

Somehow that part of the world has escaped everything that is going on elsewhere; it is such an isolated situation you can't believe it is real. You can't believe anyone who has traveled the rest of the world could possibly think it could survive very long under these conditions.

I thought they had a little more time than I now think they have. I think the time is closing in very, very rapidly.

Mr. Chairman, in holding a hearing of this kind, on the problems of South Africa, with an overwhelming black population, we might be somewhat subject to criticism for having three whites here testifying.

I would like to point out that I think it would be extraordinarily difficult to have a black man from South Africa to get back in probably if they testified.

COMMENDATION OF WITNESSES

I commend you and the staff for selecting our panel. Mr. Kleinschmidt was born in Namibia, was associated at the University with the foremost student organization, has as good contacts as anyone we know with the black student movement, SASA (the South African Students Association) and the Black People's Convention (BPC).

His contacts are so good. He has helped so many people flee through the underground railroad, whatever you call it down there, and get out of the country when their activities made it impossible for them to stay. Then he himself was detained for 70 days, and then fled the country himself, using the same avenue and channel for escape that he had helped so many others use before he was arrested.

His wife and child are still in South Africa. I really can't help but think, when I see you here, of the leaders of the student movement in this country that appeared before us a decade ago. They were so far ahead of us on the Vietnam war, so eminently right in what they were saying. And if the South African Government doesn't listen to a voice like yours and realize in the end what you are saying is for their best interests and in the interests of the rights of white minorities in Africa, those minority rights can't be protected. They can't be preserved unless we really move ahead very, very rapidly.

So I think really we are getting testimony from sources that have been right on the battle lines. You are not dealing in theory one bit.

EXISTING CONDITIONS FOR BLACKS

I would like to just comment and the chairman has wanted to draw you out on some questions to actual conditions that exist there and what the conditions are for blacks.

I noticed in your testimony, Mr. Kleinschmidt, that you mentioned that Mr. Mulder, who said as a senior official of the West Rand Bantu Administration Board that people in Soweto were satisfied there was no tension among the people whom he had this vast jurisdiction over, and you mentioned the Deputy Minister of the Bantu administration saying, after 100 children had been killed, that the teaching of language in the schools, what language they were taught, was the business of the government because the government, after all, paid for the education.

When I was there, Mrs. Percy suggested that I tape record some of the incredible conversations we had in Soweto, and other places. I am so glad that I did because here is what a teacher who was a graduate of the university said.

He said that, according to the Institute of Race Relations, the government spends 154 rand, or $175, per year on each white student; 56 rand, or $65, on every Indian and colored child and 23 rand, $26, on every black child. "For white children, nearly every need is provided," he said, "books, recreation facilities, et cetera."

For the colored children the government at least makes an effort to provide textbooks. For black children the government only pays the teachers salaries, and at a much lower rate than white teachers.

The black student families must not only pay for their books and all recreation facilities, they must even pay for the upkeep of the school, even basic office supplies.

We went in and visited schools in Soweto. That was exactly the testimony we got. Is that accurate? These were just observations that I picked up.

Mr. KLEINSCHMIDT. The comparative figures for education, I think, have all increased, but the disparity is still enormous.

Senator PERCY. So far as whether or not people get along and are satisfied, as you said, the testimony of the officials said they are satisfied. Here is what a person said to us:

I think the terrible feeling that almost everybody has is frustration, bitterness and rejection of everything that is white. The whites don't make any effort to share with us. They want it all for themselves.

In your judgment, is that representative?

Mr. KLEINSCHMIDT. I do believe that to be representative. I don't think you are stretching the point at all. I think what I have tried to convey here hasn't come very easily to me at all. I think the crisis and the dimensions of the crisis are such that we cannot avoid drawing the consequences out of that.

NAMIBIA CONSTITUTIONAL CONFERENCE

Senator PERCY. With respect to Namibia, an area that was your area of birth, perhaps all three of you could comment on this and other teachers' comments on the confederation. After all, there is a constitutional conference going on there.

I asked in Soweto if there seemed to be some evidence of progress? The response I got was:

I think the constitutional conference is a waste of time. I think the sooner the government recognizes that SWAPO [South West Africa People's Organization] represents the aspirations of the people, the better for everyone.

Do you think that constitutional conference has a chance of succeeding and being accepted at all unless SWAPO are active voting participating members and will actually sign the document that comes out and agreed to?

Mr. KLEINSCHMIDT. I believe the members of the black community whom the South Africans are talking to at that conference are so unrepresentative that the internal tensions, even within that conference, are so immense that any common agreement that will finally be signed will be absolutely minimal, if any agreement can be reached at all.

I think the fundamental factor is the overwhelming support SWAPO enjoys throughout the whole of Namibia.

Senator PERCY. Do either of you want to comment on that, briefly?

Mr. CHETTLE. I would say that evidence doesn't seem to be nearly as clear as that would suggest. For one thing, as you well known, SWAPO is representative largely of the Ovanbo tribe. They claim to have one or two leaders of other tribes, but the other major tribes in the homeland are not represented in SWAPO.

You know, of course, the Ovambo is 45 percent of the total population, and the remaining tribes are largely unrepresented.

SWAPO/PLO COMPARISON

Senator PERCY. Haven't they become a PLO [Palestine Liberation Organization] within the movement in Namibia?

Mr. CHETTLE. I would think that there are considerable tensions within the black community in southwest Africa as a whole.

For example, as you probably know, in the early years of this century there were massive wars between the Hereros, Damaras, and so on. There is still a great deal of suspicion.

I think one of the reasons that has brought other tribal groups to the conference has been the feeling if they don't do that, then it may be entirely in SWAPO's hands and that that might not be in the general interest of all the people of the territory.

I would entirely agree with your view that they have to be brought into the negotiations, but I would not say that they are necessarily representative of the general opinion in southwest Africa.

U.N. CONTROL, SUPERVISED ELECTIONS IN NAMIBIA

Senator PERCY. There is one easy way to find how representative SWAPO is and that is to implement the U.N. regulation of the United Nation's control and supervised elections in Namibia.

Mr. CHETTLE. May I interject that the South African Government did offer a few years ago to hold a referendum in southwest Africa. At that stage, the United States rejected that.

Senator CLARK. Who would supervise and control that election?

Mr. CHETTLE. I think that was subject to negotiation; but I think they made the general offer. I was surprised that the United States rejected it as categorically as they did.

NAMIBIAN CONSTITUTIONAL CONFERENCE

Senator PERCY. Would you care to comment on the basic question?

Mr. DE ST. JORRE. Yes. I think the basic problem is that the South African Government while talking about politics, dealing with politics, doesn't allow a normal political function. Why have people representing different groups on an ethnic basis, why not allow them to be represented on a political basis?

This would include SWAPO automatically. The whites are represented. They are all members of the National Party and the coloreds are represented by a political party. Why can't the blacks, including SWAPO, come to the conference on a straightforward political basis in the same way as when Vorster says to Smith, you have to deal with your black politicians; Smith goes off and deals with the black politicians.

I think the same pattern could be put into effect, which would then bridge the gap and allow SWAPO to come in.

CONDITIONS IN SOWETO

Senator PERCY. Again, putting on the record some of the conditions that are there, just to see whether or not they are representative in your judgment, we went out to Soweto, one of the most infamous or famous communities in the world today, before the riots.

I put this question to a woman, whether or not they could own homes. They are built by the government. Sarah, I called her, said that about 1,000 people out of the 1.5 million she claimed live in Soweto have been allowed to have long-term leases, only, 1,000 long-term leases. So the degree of stability and your dependence upon the white supervisor depends upon your ability to get a lease, no ownership involved.

I said to her, "What is this little park overlooking Soweto used for?" She laughed and said, "This is where they bring the white tourists who want to see Soweto. See that tea shop? That and the restrooms are for whites only." She said it with a bitter laugh—you would have to hear the tape to hear the bitterness in her attitude.

VIOLENCE TO OBTAIN BLACK RIGHTS

Now, we read that the South African government is talking about black ownership and working out a program of ownership. Does that mean that the only way blacks are going to get their rights is to have violence?

Mr. KLEINSCHMIDT. This is one of the new arrangements that have been made by the authorities, that they have indicated that in fact houses can be purchased on a wider scale now.

With the previous arrangement by which the long-term leases were made, I have had some personal experience, by which the administration of transfer of ownership of the lease is so complicated and so

bureaucratic that there were more people engaged in the process than ever actually got at the other end.

This is an indication of the kind of bureaucratic setup that especially Soweto is involved in. I think this is a very significant sign of where events in Soweto have developed toward.

I think that what you have sensed, what you have heard from people there is a little indication of the way black people of South Africa are really thinking because there are no ways, no techniques, no public ways of expressing their attitudes and opinions on any subject.

So we only get these slight indications and except when the unrest happened since the 16th of June, we have had a wider indication since then. I think what you experienced is in concert with what I would say the majority of the Soweto people feel and believe.

Mr. CHETTLE. May I just comment on that?

Senator PERCY. Surely.

Mr. CHETTLE. It is not true, strictly speaking, to say that this development, as far as leasehold is concerned, is a result of the riots. The leasehold was initially announced, I think, in January or February 1975.

It has since, as a result of the riots, been expanded so that they can, irrespective of whether they take out citizenship or not, get that leasehold. There was a dilatoriness about implementation which evoked a great deal of criticism in South Africa.

Perhaps I might just make one comment that applies to some of these statements that you have read out to us. I think they have to be seen in other contexts as well.

For example, on housing, I have heard enormous criticism since I have been in this country about Soweto, about the overcrowding, the lack of facilities, the lack of electricity, and so on.

However, I have never heard anybody who ever mentions that since 1948 the government has built for its deprived peoples, coloreds, Indians, and Africans, more than 1 million houses, and that if you consider that the U.S. gross national product is 50 times that of South Africa, that the United States would have to build 50 million houses for its subeconomic people or its deprived poor people to make a comparable effort.

Admittedly, we are talking about very simple housing, with relatively little in the way of facilities; but at least they are doing these things. I think that a perspective that concentrates entirely on the fact that they haven't got electricity in 25 percent of them and that they haven't gotten this facility or that facility should not neglect the extent to which they have been benefited by a program like that.

Senator PERCY. But is it true that in Soweto, that if they are given something of a better facility at the public's expense than they could get otherwise, but no long-term lease, or no ownership, that that puts them pretty much subject to the supervision and supervisory terms of the white supervisor?

Is is not true that they have to get permission from him to have guests stay overnight in their home, from outside Soweto, and that that permission is given or denied as a reward?

Is it not true that when they leave their homes and work and stand out on the street, a big empty bus may come by, first-class, and they

can't get on it? A bus, or a taxicab, first-class taxicab may come by empty, and they can't get on it? They have to wait for a second-class taxi and a second-class bus to get away from Soweto to go work and then come back.

Those are the kinds of conditions that I simply point out. When I looked at it first, I saw, well, there was a remarkable public housing job; but then I saw the onerous conditions attached to it and really, in a sense, it is building a bitterness.

You just can't have a company town anymore. You can't have it any place in the world, I don't think. That is a company town with those kind of conditions. The liquor stores are operated entirely differently. They are operated by the whites, and they make all the rules.

All of these humiliations that were voiced to me no longer are being taken and accepted. The problem, one has to realize, is that they have the ferment of a revolution on their hands. It is coming much quicker than was envisioned. I didn't come back feeling it was going to turn overnight. I say these things in the hope that we can help persuade our South African friends, to move and change fast enough to avoid bloodshed.

Mr. Chairman, I would like to insert in the record some additional comments that I made in my report. For example, the fact that what happens to an old person—they are forced to return to their homeland and stay there until they die. They haven't lived in a homeland for a long time. It is not their homeland. But that is what they are forced to do. They can't go anyplace else.

I comment here about the homeland itself. Here is what a woman said. I want to read this about the homeland system:

> I want to make it very clear that the whole of South Africa is my homeland. Any person who thinks I have a homeland somewhere tucked away in the corner of South Africa is deceiving himself because I believe the whole of South Africa is my home and it belongs to me.
>
> I am not driving anyone away from South Africa, but we must share the whole country. This drawing of ethnic boundaries is done artifically by the government to keep us separated. They want to remain the rulers and not let us come together to bargain for our liberation.

ABILITY OF BLACKS TO GOVERN THEMSELVES

When a black lives in Johannesburg, he can't go down and marry a black that lives in Cape Town. You can't treat people that way in this day and age.

One last comment, on the subject of the ability of black people to govern themselves, a lady teacher in Soweto said:

> My daughter was a lawyer, and she was forced out of school because of her student activities. My son, 17 years old, fled his country, South Africa, and went to Botswana where the minute he got to the airport, he was a free man.

Botswana is a democratic country, a parliamentary democracy, run by black people who have been freely elected.

I am sure there is a representative of the South African Government in this room. I have met and talked with South African officials many times. The handwriting is on the wall. Send the message back loud and clear. The time is running out very, very rapidly. Anything

the South African foundation can do—or any other organization—this is the last chance for peaceful change. It is not going to be peaceful unless you move much more rapidly.

I can assure you Senator Clark and I will be having breakfast with Secretary Kissinger in the morning, to talk about this problem.

It is of first-rate importance so far as the Congress of the United States and the executive branch of Government are concerned. Your presence here today means a tremendous amount to us. Your testimony is very valuable.

Senator CLARK. Thank you.

U.S. HOUSING

Senator BIDEN. With the chairman's permission, I would like to make one last comment and direct it to Mr. Chettle. I apologize for myself. Converts tend to be the most self-righteous.

I would like to make a point to you about housing in the United States. You could take me up to Bedford-Stuyvesant here in this country. It looks like an atom bomb has dropped, considerably more deplorable than anything I have ever heard described in your country.

In my State, in 1954, they had bathrooms that said white only. There are blacks in the audience who can relate to you I am sure, examples of indignities that are still suffered here in this country.

But I feel obliged to bare my soul a bit on this one. The thing that I personally reject is the incredible, even audacious, way in which it is put forward in your country. I do not say that this country is right in what we have done. You are sitting down there and I am up on a high platform, browbeating you about racial equality and the morality of man.

Then I look around in my own country. We have passed some laws, we have made some significant steps, I think; but it was only 15 years ago I rode down Route 40, up to New York and had to sit in on a bus to convince people along with my black friends that you should be able to serve somebody a cup of coffee in this great republic of ours.

I am only 33 years old. I did that.

Just so you know, I don't want to leave the impression with the foreign press that is here or with anyone else—I think someone in this government should say to you we know damned well we are not a whole lot better.

At least I don't think we whites were a whole lot better in this country. I think the proportions are greater. I don't want you to take our criticism, at least mine, as saying that the other side of that is, look at us, we are a shining example. You look at us, you may not get nearly as far as I think you should get.

You know, we can look at housing, maybe for different reasons, but still we have absolutely abominable conditions in this country that exist for the economically deprived, most of whom, coincidentally, are black. So I am not implying that either Senator Percy, the chairman, or anyone else is in fact trying to hide those facts from you; but I feel it is important that it be said.

I also think the policy of your country is absolutely abhorrent. I think it is uncivilized and barbaric. I think that if I were a black in

your country, as if I were a black in this country, I probably wouldn't be as nearly as rational as my young friend to your right. I would probably be down there saying, steal what you can and blow every white man's head off you can find. I would probably do that in this country in certain circumstances.

The fact of the matter is that we are not pure and we don't mean to say to you that we are. You have been very polite. I know you are knowledgeable about the American domestic situation and you have been a very, very polite witness.

We have sort of focused on you because you have had to hold up that other side a bit. You haven't retorted with things that you very well could point out. I thank you for that.

I apologize if you viewed my position, or ourselves, as not being as gentlemanly as you but I still think your country and the ruling party of your country has an abominable policy.

Thank you, very much, for your indulging me, Mr. Chairman.

CONDITIONS OF BLACKS IN UNITED STATES

Senator CLARK. Thank you.

Let me just say I couldn't agree with you more, Senator Biden, in talking about conditions of blacks in this country, both in the past and in the present. I think it is a good balance to point that out.

The one significant distinction that I think at the same time must be made is that much of American history, particularly in the last 100 years, more specifically in the last 20 years, has been the struggle for blacks to try to in fact realize the legal rights that were put in the Constitution and the first 10 amendments and the other amendments since that time. I say that is an important distinction because at least we have outlined the legal rights of blacks in this country.

As I say, the struggle has to be realized and in many cases, they are still not realized. In the case of South Africa, you have a situation in which blacks are denied rights by law, rather than the struggle to try to realize those laws. That is a very, very important distinction.

Senator BIDEN. I think that is absolutely correct. But in a way, up until very recently, you have almost been more honest in your country than we have. We didn't allow blacks and whites to marry, to use the bathrooms, even though the Constitution said that for 200 years.

So in a way, we have been a good deal more phony about it. But at least since the Civil War, we have said slavery is no longer legal. We are a millenium ahead of you in that regard. At least we have codified it.

Now the continuing problem is to socially implement the laws. What in fact we say, we mean. That basic distinction puts us far ahead of you; but it doesn't make it right.

Senator CLARK. Thank you, very much.

U.S. POLICY TOWARD PEACEFUL SETTLEMENT LIKELIHOOD IN RHODESIA, NAMIBIA

Just three or four other questions before ending the hearing, I wanted to ask Mr. St. Jorre, I know you are knowledgeable about the situation in Rhodesia.

I wanted to ask you first about the likelihood, in your opinion, of a peaceful negotiated settlement in Rhodesia and in connection with that, looking to what you feel the U.S. policy ought to be toward Rhodesia and Namibia.

Mr. DE ST. JORRE. On the first question, I am not optimistic about a peaceful settlement in Rhodesia for two reasons. One, I think the whites are intransigent, Smith particularly; but he represents the mass of white opinion there, I think.

Second, the blacks are divided. If you had one of those problems, not the other, then I would be more optimistic; but those two make it very difficult to achieve any kind of settlement. Moreover, I think the whites in Rhodesia haven't yet come to the point where they feel sufficiently threatened to either leave or give way.

This accounts for their intransigence, also that they see the alternative in very stark terms of a divided African leadership, the Angolan kind of situation. So I am not optimistic.

I think there is a limit to what the United States can do. The African view, I know, is don't do anything, don't get involved or stop us doing what we have to do; stay out of it. We welcome your diplomatic presence, they say, and that you are against Mr. Smith and if necessary, against Mr. Vorster.

The diplomatic exercise is going on now, of course, but this, I think, is the African view. I think it is representative of Tanzania, Zambia, and I think it is representative of most of the Rhodesian nationalists, that they know the problem better than most of us and the problem is to change the whites' minds in Rhodesia.

Negotiation probably isn't going to achieve that at this stage. Perhaps if there is more fighting and more pressure a fight-talk syndrome could develop. I don't know. However, I don't think that America has a lot of leverage there. South Africa does, of course; but I don't think America has much leverage on South Africa.

Senator CLARK. Why not?

Mr. DE ST. JORRE. I think mainly because the South African view is that it is the strongest country in Africa. We are not superpower, the South Africans say, but we are quite strong. Second, the political leadership in South Africa can't afford to be pushed around by anyone, including the U.S. Government.

It certainly has very little leeway to give on terms of its internal policies, as we have discussed this morning. There just isn't that much room for maneuver.

Senator CLARK. So you would think it is very unlikely that Secretary Kissinger would with any degree of success bring pressure to bear or influence to bear or successfully do anything substantial in Rhodesia?

Mr. DE ST. JORRE. I think he will have difficulty bringing pressure to bear on Mr. Vorster if the latter doesn't see it in his own interest to go along with that pressure; but in Namibia and Rhodesia, he does see it in his interest to achieve a peaceful settlement in both of those countries. So he and Mr. Kissinger are on the same wavelength.

Senator CLARK. Not because of American pressure or influence, but simply because he sees it in his own interest?

Mr. DE ST. JORRE. Very much so and he knows better than most people and the people around him, his advisers and so on, they know they have got to get the Rhodesia and Namibia thing off their backs.

How they do it is another matter. They don't want a bloody confrontation in either of those countries. They don't want Russian, Cuban or any other intervention. In this sense, the South Africans' wish is directly in line with U.S. policy.

U.S. POLICY REGARDING NAMIBIAN-RHODESIAN SITUATION

Senator CLARK. Very briefly, what do you think American policy ought to be with regard to the Rhodesian-Namibian situation?

Mr. DE ST. JORRE. I don't think there is any harm in the present exercise. I think it should continue to explore a peaceful settlement of both of those problems. This is what the African leaders themselves have been trying to do.

Their problem was that the time wasn't right, there wasn't a strong threat of racial war in Rhodesia or in Namibia at that time when they were going through the exercise of negotiations, but now that threat is real. Now there is the specter of Cuban intervention, on the lines of the Angolan affairs.

So I think America is in line with Africa at the moment. I don't think there is any harm in pursuing this; but there comes a point when if it doesn't produce results, then other methods have to be used. I think that is where American leverage fades away.

UNITED STATES/SOUTH AFRICAN AFFILIATION CONSEQUENCES

Senator CLARK. What about the argument that if we do this, we become so closely affiliated with the South African Government that we give them a certain degree of credibility, even though the Secretary of State has publicly said on several occasions, as recently as last week in Philadelphia, that our Government abhors apartheid and what it stands for?

Isn't it possible that in the process of these negotiations, visits to South Africa and so forth, that we really gave greater credibility to that regime and to the apartheid system?

Mr. DE ST. JORRE. I think that is absolutely right; yes, you do. It is inevitable. If you start dealing with someone and shuttling around and talking to him, though probably not in this case embracing him in the way the Secretary embraced the Arab leaders, but at least negotiating on a regular basis and doing deals, then you do give the South African Government a feeling of respectability, a sense of importance they didn't have before; but I think this is inevitable. I don't think it is in the long term very important because the problem is going to come back to South Africa after the other problems have been sorted out. So the respectability that the Secretary bestows on Mr. Vorster will only be a temporary thing.

U.S. QUID PRO QUO ARRANGEMENTS WITH SOUTH AFRICA

Senator CLARK. You do not make any arrangements quid pro quo, with South Africa in terms of its society or in terms of America, let us say increasing its trade, investment, Export-Import Bank or giving anything in return to South Africa for its work on Namibia and Rhodesia? You would not do that or you would do that?

Mr. DE ST. JORRE. I wouldn't because I don't think you have to, because I think it is in Mr. Vorster's interest more than in the United States' interest, if you like, to get those problems settled in a way that America would like, to have those problems settled peacefully.

I don't think you have to give him anything. What Mr. Vorster would like would be closer ties with the United States, perhaps some arms. He would also like recognition. There are plenty of things he would like; but I don't think the U.S. Government has to give him anything. It has already given him a lot by bestowing upon him the respectability you've just mentioned.

KISSINGER SHUTTLE DIPLOMACY

Senator CLARK. As I understand your view of it, it seems to me it makes good sense. You see Secretary Kissinger's shuttle diplomacy, if indeed it does take place in southern Rhodesia, as a vehicle through which the Vice President is on the one hand and the liberation movements and Vorster on the other, simply as a facility to try to bring about these talks and negotiations, both of them realizing their own self-interest rather than giving in to any particular influence or pressure from the United States?

Mr. DE ST. JORRE. Yes, I see it as a convenient vehicle. It was the same kind of vehicle that shuttled across the Victoria Falls not so long ago when President Karnda met Vorster and talked face-to-face. Personally, I don't have much hope the vehicle is going to stay on the road. But it is legitimate. It is convenient and it has a practical purpose.

Senator CLARK. But you are not very optimistic about its outcome?

Mr. DE ST. JORRE. No.

ADVANCEMENTS IN RACIAL DISCRIMINATION

Senator CLARK. Mr. Chettle, in your statement you talked a good deal about the advancements that have taken place in South Africa, particularly regarding racial discrimination, sports, many, many other things. One would certainly get the impression from that that South Africa is moving in the right direction.

However, I wonder if in fact one couldn't make a pretty substantial case that, let us say, since 1948, that the direction has been the opposite, that indeed there is more separateness, more racial discrimination in 1976 than there was in 1946?

In fact, a number of us have been faced with separate races even more. Wouldn't you think you could make an equally good case for that if you set out to?

Mr. CHETTLE. Yes, you could make a good case for that. I think one of the things that is particularly difficult for this government to say is that it is a very different kind of party from what it was that brought it to power in 1948.

In my view, I may be prejudiced in this, too, I think it was very little other than a racially segregationist party of fairly blatant sort then. For whatever reasons, over the years, I think it developed and change has taken place; but what they continue to say is that they are totally consistent in their views and that what is happening now is simply the logical result of what their policies were before.

I am sure there are a lot of people who genuinely believe that amongst the people who support the National Party; but I personally believe that there has been a total break with that set of beliefs and that one of the major problems that the government is going to face over the next few years is how they are to dismantle some of the legislation that they have brought in since 1948.

RECENT LEGISLATIVE ACTS

Senator CLARK. When one sees, even in very recent times—I don't know the dates—but such legislative acts as the Suppression of Communism Act or the Terrorist Act or the Internal Security Act, those are all acts of fairly recent periods, are they not, most of them? I don't have the dates?

Mr. CHETTLE. They are fairly early ones.

Senator CLARK. Can you give us the dates?

Mr. CHETTLE. I think the original bill to communism came in 1951.

Senator CLARK. Is that the existing act?

Mr. CHETTLE. It has been amended several times since then.

Senator CLARK. Do you want to speak to that?

Mr. KLEINSCHMIDT. I want to say there is factually no longer an act in South Africa called the Suppression of Communism Act.

It was amended a few months ago to be called the Internal Security Act and the measures contained in the act are certainly more vicious than those in 1950.

Senator CLARK. When were those passed?

Mr. KLEINSCHMIDT. Two or three months ago.

INTERNAL SECURITY ACT PROVISIONS

Senator CLARK. What do they do that you could not have done previously?

Mr. KLEINSCHMIDT. For the first time now we have preventive detention, so-called. That means taking people out of circulation for a period of time. There are hundreds of people detained under that act right at the moment.

That means that in terms of the act, there is not even the reasonable expectation that the detention will culminate in trial under a charge or, for that matter, be made to become a state witness.

It is merely being in jail and after 1 year to be released again with the possibility of redetention.

Senator CLARK. Without charge?

Mr. KLEINSCHMIDT. Without charge.

Senator CLARK. Without trial?

Mr. KLEINSCHMIDT. Without trial.

Senator CLARK. Mr. Chettle, do you see that as a step forward or backward? Does your Foundation, or do you personally approve of the South African Government's passage of this kind of legislation?

Mr. CHETTLE. That is certainly a step backward, and the former president of the Foundation specifically criticized security legislation and in fact, security legislation is the only area I think which hasn't been significantly improved and, in fact, may well be worse now than it was before.

U.S. CONDEMNATION OF SOUTH AFRICA, OTHER GOVERNMENTS

Senator CLARK. I think that sounds like an accurate statement from my small knowledge of the situation.

I was somewhat interested, Mr. Chettle, in your statement about the fact that liberals generally in America often condemn South Africa; but not Idi Amin and Uganda, but in fact it is my recollection at any rate that the United States has broken relations with Uganda, that we have either no investments or very little investments, we certainly would go out of our way to discourage investment there, and I think properly so, that we have no communication with that government and that we in effect have washed our hands of them.

On the other hand, in the case of South Africa, we certainly have not done that. We maintain diplomatic relations with them, they with us. We in fact have military attachés there.

We have often wondered why so many. But in any case, we do, we exchange intelligence information. We have almost $2 billion in investment. We have 300 companies that invest there. We have 6,000 companies that do business there.

It doesn't seem to me that we are soft on Uganda and hard on South Africa.

Mr. CHETTLE. I was taking Uganda as an instance, and mentioned it specifically in relation to the Democratic Party platform. But I think this transcends Uganda and particularly the antics of Idi Amin.

I think more attention should be paid to what progress is being made toward the accomplishment of democratic objectives in Africa.

I noticed a certain tendency in this country to say that a one-party state which allows an election to select which member of the one party is to represent the constituency in the Parliament is some kind of new African invention and contribution toward democracy, which I don't believe it is.

Senator CLARK. Who says that?

Mr. CHETTLE. A number of Africans believe this kind of thing. I believe that if you have, as you do have in Africa, a massive prevalence of military dictatorships and one party states, it is inappropriate for one to judge South Africa by certain criteria, and not to judge those other countries by similar criteria.

EVALUATING DEMOCRACY

Senator CLARK. I must say I am not quite sure. I don't know how one evaluates what democracy is exactly, what criteria. I am not sure if I were a white in Zambia that I would, let us say, feel that I had less rights than a black in South Africa, to reverse the two in power, or Tanzania, obviously Botswana is a democracy.

So it isn't fair to compare. I am not quite sure if 4 million out of 25 million have voting rights or have any political rights, that one can say that that represents democracy and what exists in Zambia or Tanzania, let us say, or Kenya, I am not taking military dictatorships, obviously, in those cases, that those do not represent democracy, that they represent something closer to democracy.

U.S. GOVERNMENT STATEMENT CONCERNING GENOCIDE IN BURUNDI

Mr. CHETTLE. The sort of thing that I find strange is that so far as I know, the U.S. Government has not issued a single statement about the genocide of something like 250,000 Hutu in Burundi.

Senator CLARK. I think we certainly have. Our Government does some crazy things, but I can't imagine we haven't issued a statement on that. I will offer to put it in the record at this point if it exists.

[The following information was subsequently supplied:]

A Carnegie Endowment study summarized the position and was inserted into the Congressional Record by Senator Case on June 11, 1973 (S 10830):

"Though the Department of State knew the enormity of what was happening in Burundi relatively early, it relied upon a diplomacy which had little chance of relieving the tragedy—and which some in the government fully expected to fail. Though that failure soon became obvious, policymakers then stood by for nearly four months while the killing went on. In the process, they rejected out of hand a proposal within the government to examine unusual and critical American economic support of the Burundian regime presiding over the murders. They ignored as well the findings of the Department's own Legal Advisor for African Affairs regarding the obligations of the U.S. Government under international law. They repeatedly misled the Congress, albeit the appropriate Congressional Committees obliged the deception by failing equally their own responsibilities to oversee policy. When the State Department finally decided to review policy in the fall, after the carnage in Burundi had seemingly run its course, there was even doubt that a private diplomatic expression of Washington's "displeasure" had been conveyed honesty to the Burundian authorities. Publicly, the United States Government never spoke out on the horror in Burundi."

In reply to this, the State Department admitted that it had made no public statement, but relied on other methods of diplomacy: (June 30, 1973: S12673)

"Public declarations and coffee boycott threats would in our judgment have paid a high price in a loss of access to African leaders on the subject, and a worsening of Burundi's already desperate economic situation."

Mr. CHETTLE. I think that would be appreciated. More broadly than that, there is a total lack of concern in this country about various events. As one example, the Ethiopian Government, under Haile Selassie, had deliberately concealed the extent of black starvation in that country. There was also a lack of concern about the events in the southern Sudan for many years.

One could give many, many examples. But rightly or wrongly, it may be wrongly, many South Africans feel that these things are judged in double standards.

FUTURE OF WHITES IN BLACK SOUTH AFRICA

Senator CLARK. Mr. Kleinschmidt, what about the future of whites in a black South Africa? What do you think is apt to happen? You see a transition, I think, to black majority rule at some point.

Mr. KLEINSCHMIDT. Correct.

Senator CLARK. What do you see in terms of what whites do in that kind of society? Are they going to treat whites the same as they have been treated themselves?

Mr. KLEINSCHMIDT. I really don't think so. I think they are very significant indications that to date no black organizations have in fact ever taken a resolution to say that there is no future for whites inside of South Africa.

I think there is merely a request for saying it will be a black society, we will define the terms of the society, and there will be no discrimination against anyone.

This might not have taken on any more definite or precise form, but I definitely think that the present organizations still are not in any way saying the 4.2 million whites must disappear off the southern tip of Africa.

CITIZENSHIP FOR COLOREDS

Senator CLARK. Mr. St. Jorre, you mentioned that mixed-blooded people, colored people in South Africa, were not to be assigned a homeland and yet have no political rights of their own.

How does the Afrikaner view this? How does the government view this? It is one thing it seems to me to argue that, after all, blacks have their own homelands.

It doesn't happen to be an argument I subscribe to. But at least one could argue that, that some way you could trace a homeland for every black in South Africa, presumably, but you can't do that with the colored.

It seems to me from your descriptions that Afrikaner society is very interested in maintaining a consistent position. What is our answer to that? How are coloreds to receive their citizenship?

Mr. DE ST. JORRE. As I think has already been mentioned, the colored situation is proving a problem for the government, really for the reasons that you have just put forward.

There is a strange anomaly in the sense that their culture is the same as the Afrikaners. They speak Afrikaans. They regard themselves as close to the whites—people sometimes call them the brown Afrikaners. At one time they wanted to identify more closely with the white man and share his political system and society.

But they were deprived of their status by the Afrikaner governments throughout the last 28 years.

Gradually, their political rights were whittled away. There has always been a great debate in Afrikanerdom about that. For example, Afrikaners in the Cape Province where most of the coloreds live are more liberal about their future.

They feel the coloreds have had a bad deal and should have some kind of political rights and social status. But the government appointed a commission 2½ years ago to investigate their future. But Mr. Vorster said in Parliament even before the commission could publicly report—the commission he appointed himself—he said that his policy for the coloreds would not change. In other words, they would not come back into the white political system.

Senator CLARK. How would you suppose Mr. Vorster would answer the question that I posed to you? Isn't there a great inconsistency here in arguing that people, that blacks have their homelands and we have South Africa? What about the coloreds?

Mr. DE ST. JORRE. I think he would try to avoid these inconsistencies because there are so many in apartheid, as the HNP, the Afrikaner rightwing party often points out. For example, the HNP says if you are going to have a homelands policy, everyone should have a homeland, including the English. They should have their own homeland and the Afrikaners should have theirs and the coloreds and Indians should have theirs.

If you stop to unravel the apartheid tape, you will get snarled up. I think Mr. Vorster would, too. There isn't a really logical answer to this.

NUMBER OF COLOREDS COMPARED TO WHITES

Senator CLARK. How do the number of coloreds compare to the number of whites? I think there are 4.2 million whites.

Mr. DE ST. JORRE. Yes, and 2.3 million coloreds.

Senator CLARK. More than half as many, slightly more than half as many coloreds as whites?

Mr. DE ST. JORRE. Yes. They are mainly concentrated in the Cape Province. Their position has often been compared to blacks in the United States as being minorities under the whites, who share the culture, but are not allowed to play a full role in society.

U.S. INVESTMENT IN SOUTH AFRICA

Senator CLARK. Mr. Kleinschmidt, you said on a couple of occasions that you are opposed to American investment in South Africa. I wonder if just for the record, as succinctly as you can, tell us why. What is its evil?

Why do you think the argument is made that American investment will go in, one way or another, and improve the working conditions of blacks and improve their chances for economic equality, really help to change the society.

Why do you feel that is not a valid argument? What is wrong with American investment in South Africa?

Mr. KLEINSCHMIDT. I need to say here, first of all that my own position on this has changed. I believe the position of many members of the Christian Institute, which I represent, has also changed, and I believe this is the result of the disappointment in realizing that the investments in South Africa were in fact not changing the substantial structure in South Africa, that it cannot reasonably be expected that increased investments will substantially or fundamentally bring about any change.

It is a completely unreasonable expectation. I speak here of experience in the field of my own investigations into Standard Telephones and Cables which is an ITT [International Telephone and Telegraph] subsidiary in South Africa. There are going to be in any event new problems vis-a-vis investments which have not been realized at this moment, in particular with regard to the white employees of multinational corporations who are reacting in very strong terms to the more progressive or enlightened American management or management from other countries and who are saying if you permit any blacks to gain any further rights, to get any further training or to get any higher salaries, we, as organized in trade unions, shall react to your companies, and I believe that kind of pressure has not quite materialized at this moment, but is going to materialize, and Standard Telephones and Cables had to privately admit that when we did the investigation on them.

I then believe that in the face of the new crisis, the new developments in South Africa, we need to take more drastic action. That means for me that we must not hope against hope that increased investments will modify, will bring about piecemeal changes in the situation, but that in fact we are more than anything through increased investments strengthening the position of the white structure.

We are guaranteeing the existence of the status quo as it is. So I believe, if we want to make a contribution to peace, we should cease investments at this juncture and then withdraw.

Senator CLARK. What is your feeling about that, Mr. de St. Jorre?

Mr. DE ST. JORRE. My feeling, Mr. Chairman, is that it is a very difficult problem. It is not a difficult problem to cease investments. I would go along with that, I think, if you feel that it is going to produce a psychological blow or a threat or an impression on the government, on the white community, to encourage them to change their minds, which I am not so sure of. It will certainly have an effect although if you are going to try to pull out I don't see how you are going to do it. Also, I don't think by doing it you are going to undermine the South Africa Government in any real economic or material way because other people will come in and take your place.

SOUTH AFRICA SOCIETY INFLUENCED BY FOREIGN INVESTMENT

Senator CLARK. What about the reverse of that? Do you think South African society can be basically changed by foreign investment?

Mr. DE ST. JORRE. Not at all.

Senator CLARK. So you don't see it as having any particular favorable influence on South African society either?

Mr. DE ST. JORRE. No, I don't.

Senator CLARK. It seems to me it would not be that hard to disinvest in response to what you are saying, it seems to me if the Congress simply passed a law that said the taxes paid to South African Government can no longer be credited to taxes paid in this country, that that would be an adequate disincentive immediately. Maybe not. What do you think of that?

Mr. DE ST. JORRE. I wonder how hard it would be to get that through the U.S. Congress.

Senator CLARK. It would be very hard. It seems to me it would work if the majority were there and the President wanted to.

ANATOMY OF REVOLUTION

One last thing. I was particularly interested, Mr. Chettle, in your analysis of Mr. Briton's book, "The Anatomy of Revolution," where he analyzes the other four revolutions. Your feeling that those situations do not exist in South Africa and particularly that given the enormous strength which I agree with you on, South Africa military strength, police strength, the economy, and so forth, that conditions are such that very probably a revolution could occur.

But I am not sure that people in the case of the other revolutions that he analyzes, particularly the nobility would have seen any possibility of revolution succeeding or occurring, let's say, in England in 1776, that the people, in other words, at the time of George III, would have thought that.

It seems to me they were of the enormous strength compared to the American colonies, as indeed this would have been the case in France in 1789, with Louis XVI. It seems certainly that to the nobility of that period, it seemed inconceivable that they could really carry out what in fact occurred.

One would have thought in the England of 1640, with Charles I, that that would have been impossible, or indeed even in Russia in 1917 with Czar Nicholas II.

It seems to me that revolutions never seem possible before they start, and that once they begin, they have a momentum that is very, very difficult to stop, even though you are very, very strong indeed.

There is some parallel, it seems to me, between this event and our involvement in Vietnam, where we had enormous strength, most powerful country in the world, with all of the military force imaginable, in a country which really had nothing by way of counterweight.

Yet, in the long run, it seemed to me that those forces of social change really occurred and I hate to say they are irresistible, because I don't really believe that, but it seems to me they were very, very hard to contain once they began, and that probably the same is true in South Africa.

Would you respond?

Mr. CHETTLE. I would draw a distinction between South Africa and France by saying that in the case of France, you had the monarch and a thin layer of nobility which was overthrown, whereas in South Africa, you have a white population which is some 20 percent of the total population.

Even if we assume that you have an identity of interests among all the nonwhites, which I would question, this represents a very different situation.

I would also draw a distinction between Vietnam and South Africa, for although the United States was the most powerful nation in the world when it went into Vietnam, the question was whether its vital interests were at stake in Vietnam.

I think America concluded quite rightly that its vital interests were not at stake, whereas in South Africa, quite clearly the vital interests of the whites are at stake.

They may come to perceive that that is not the case and that change can take place without it impinging on their vital interests. One would hope that that in fact is what occurs.

But, given a revolutionary situation, I doubt very much that they would see it in those terms.

Senator CLARK. Thank you all very much.

It has been a very helpful, very interesting hearing and we are indebted to you for taking the time, the effort, and some of you I know have come a very long way. We appreciate it.

The hearing is adjourned until 9:30 tomorrow morning.

[Whereupon, at 1:45 p.m., the subcommittee recessed, to reconvene at 9:30 a.m., Thursday, September 9, 1976.]

SOUTH AFRICA

U.S. Policy and the Role of U.S. Corporations

THURSDAY, SEPTEMBER 9, 1976

UNITED STATES SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS OF
THE COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met at 9:55 a.m., pursuant to notice, in room 4221, Dirksen Senate Office Building, Hon. Dick Clark (chairman of the subcommittee) presiding.

Present: Senators Clark, Percy, and Biden.

Senator CLARK. I want first to apologize for the lateness of starting. We were scheduled to start at 9:30. Senator Percy and I were in a meeting with the Secretary of State concerning his trip to southern Africa.

I do want to say again what I said yesterday, that I certainly approve of the Secretary's trip. I think it is going to be very, very difficult to succeed either in Rhodesia or Namibia, but I think it is well worth trying, and it may well be the last opportunity we have to get a peaceful solution in southern Africa, in Rhodesia and Namibia. At the same time, we should not forget the central and long-term intractable problem of southern Africa still remains basically South Africa itself.

I want to make a brief opening statement, and then I suspect Senator Percy and Senator Biden may well have things to say, and then we will turn to the witnesses.

OPENING STATEMENT

The major objective of these eight hearings that the Subcommittee on African Affairs is holding on South Africa is to examine the political and commercial involvement of the United States in that country.

Yesterday's hearings focused on political forces within South Africa which make unlikely an early or an easy solution to problems in all of southern Africa. In South Africa, rising black aspirations and mounting black frustration confront sharply a conservative, and I think, an entrenched white minority government.

The conflict between the races in South Africa promises only to become more intense and increasingly to pose a real threat to the stability of the entire region.

Today we will be focusing on other related aspects of the situation in South Africa which affect directly U.S. interests and involvement in southern Africa. We will be discussing South Africa's foreign policy, its economy, and the impact of its policy of separate

development, each of which has implications for the diplomatic and commercial role being played in South Africa by the United States.

The United States is rapidly becoming—through Secretary Kissinger's initiatives—an active participant in diplomatic efforts to achieve a peaceful transition to black majority rule in Namibia and Rhodesia. These efforts come at a time when the South African Government is particularly interested in the support of Western States following the apparent failure of its own efforts to establish a détente with the black nations of Africa.

The success of our initiatives is largely dependent on South Africa and its foreign policy. But our diplomatic involvement in the area, because of South Africa's own foreign policy objectives, is subject to misinterpretation by both the black states and the white-ruled states unless the limits of our involvement are explicitly defined at the outset.

We think, therefore, that an understanding of South Africa's foreign policy and the role the United States plays as a part of that policy is critical; and we feel fortunate to have with us today Dr. Pauline Baker, a research fellow with the Rockefeller Foundation, who is just completing a 2-year study of these issues.

A second aspect of our involvement in South Africa is our business activity there. The U.S. business interests in South Africa are considerable, and they are growing. They are increasing at a time when South Africa is particularly interested in greater foreign capital.

The South African economy has suffered severely from the decline in the price of gold and is in need of foreign loans to help meet its deficit. The current economic situation, therefore, affects not only the more than 300 U.S. businesses that already have active subsidiaries in South Africa, but also all the other companies that may be considering doing business in South Africa.

We have invited Joel Stern, president of Chase financial policy and a frequent visitor to South Africa, to speak to the subcommittee about South Africa's economy and the role of foreign—particularly U.S.—investment.

The nature of our business investment in South Africa and the degree to which U.S. companies conduct themselves in a manner consistent with our own beliefs and values are of great concern to this subcommittee. They are severely affected by the South African Government's policies of separate development.

Dr. Leonard Thompson, professor of history at Yale and a former long-time resident of Cape Town, South Africa, will discuss these policies and their impact.

Finally, we are most fortunate to have the opportunity to hear from Congressman Andy Young, who has given much thought to the situation in South Africa and the role which U.S. businesses might play there.

He is going to be coming along, I think, around 10:30. I know he has other hearings, so we will probably turn to him when he comes and give him an opportunity to speak. He has had a very, very direct involvement in the American civil rights movement, obviously, with Dr. King. I think he has some unique insights into what is the relationship to investment in civil rights.

We would like to welcome the witnesses. We will make every effort to limit opening statements to 10 minutes, because we really want to

have an opportunity, as we did yesterday, to ask a lot of questions of each of you.

Senator Percy?

OPENING STATEMENT OF SENATOR PERCY

Senator PERCY. Senator Clark, I would like to first comment on the possible trip by Secretary Kissinger to southern Africa next week.

I join with you in urging the Secretary to make this trip. However, I would like to stress the fact that there is no partisan political motive in making this trip. Indeed, the chances for dramatic success in any of the three problem areas are very limited indeed.

Can anyone in a few days or a week solve the perplexing problems in Rhodesia and overcome the intransigence of Ian Smith? Perhaps. But it will not be easy. I think you have to make the effort, and it is worthwhile doing it. But this is not a partisan political gimmick. This is no sitting duck.

Secretary Kissinger is one of the few people who might potentially have some success in moving that situation. He cannot hope to resolve a problem such as Namibia in one trip. I just doubt it. But there are some chances for moving the solution forward. Of course, he may fail. But I think the risk is worth taking.

Third, the situation in South Africa is highly explosive. Lives are being lost there every single day. Can we in good conscience do nothing if we can influence peaceful evolutionary change rather than violence?

All three problem areas have a potential for serious violence. I think that the potential for conflict between the superpowers in southern Africa is greater today than it is in the Middle East. It is that explosive.

For those reasons I think the Secretary should not take the safe route—which would mean waiting until after the election. The potential for greater violence before November is so great you can't wait for an American election to do the right thing by exerting American leadership.

As Prime Minister Vorster told me, "You are in the United States the leaders of the free world, and we look to you for leadership." He said that. The black countries look to South Africa as a key to the potential movement in Rhodesia and Namibia and certainly in South Africa itself.

So I join with you in urging the Secretary to undergo the trip, even though the political risks are great indeed. I hope we can make some progress there.

Certainly as we look at the foreign aid bill, we see the intransigence of some who profess to be anti-Communist. They haven't been to South Africa, and they are talking only in theory, those who on the floor of the Senate would try to frustrate the administration's attempt to get a balanced foreign aid bill that would give us some leverage in southern Africa to try to bring peace to that area. I would say the course they are on is just inviting communism into southern Africa. Those who oppose the United States and they will be the ones that will bring communism in.

Every frontline African president says, "We want to gain majority rule peacefully if we can. But it is going to be done through war and violence if we can't see any movement," and movement is going to be

needed in a matter of weeks or months. We don't have years any longer, in my judgment, down in that area.

So we should see if we can't work with people like Machel. Of course he is a Marxist. But he seems to be a rational man. Perhaps we can deal with him. Perhaps he has a role to play in bringing stability. I think we must follow a responsible course, such as the administration has outlined, in a bipartisan manner.

Certainly I pledge, Senator Clark, to work closely with you in these endeavors. We are very, very grateful indeed for the expertise and knowledge and background that our witnesses bring.

I will have to slip away to introduce the nominee for Under Secretary of the Navy, who is from Illinois, to the Armed Services Committee. But I will be back in just a few minutes.

Senator. CLARK. Thank you very much.

Senator Biden?

Senator BIDEN. I only have one comment, Mr. Chairman. I do think Secretary Kissinger should go before November 2.

Senator CLARK. Go where?

Senator BIDEN. To South Africa. [Laughter.]

Senator CLARK. I did want to say that the South African Embassy late yesterday called and asked if it might be possible for Dr. Christian Barnard to appear at these hearings. I thought it was an excellent idea, and invited him to be here today but I understand that it is not possible for him to attend. Certainly that invitation stands throughout these hearings.

First we are going to hear from Joel Stern, whom I mentioned earlier, who is the president, Chase financial policy, Chase Manhattan Bank, New York. He has been a columnist for the "Financial Times of London"; a panelist on the "Wall Street Week"; and many other things. So, Mr. Stern, if you will proceed for 10 minutes in any way you see fit.

I know you have a longer statement for the record. Let me say that all of the statements will be put in the record as if presented in their entirety.

STATEMENT OF JOEL STERN, PRESIDENT, CHASE FINANCIAL POLICY, THE CHASE MANHATTAN BANK, NEW YORK, N.Y.

Mr. STERN. I would like to try to direct your attention to the statement and perhaps read along with me.

Senator CLARK. Our microphones, unfortunately, are very weak, so you will have to speak loudly. I can't quite hear you.

Mr. STERN. The reason for having you read along with me is, unfortunately, we were unable to get the statement soon enough and you might find it easier later on to follow along with me now.

It is entitled, "Current Economic Conditions, Problems and Outlook in South Africa."

I am here in response to your invitation to discuss current economic conditions and the outlook in South Africa. My purpose is to concentrate on economic forces, first presenting a brief picture of the fundamental forces that accounted for South Africa's period of exceptionally rapid rate of real growth in the sixties and the contrasting period recently commenced in September 1974, with a major contraction in real growth, the 18-percent devaluation in the value of the rand in

September 1975, and the continuing high rate of inflation and huge balance of payments deficits.

Emphasis will be placed on the causes and effects of this dramatic change, the impact of inflation, and the balance of payments deficits on social unrest and economic distress and the comparative impact of government policies on the urban and rural populations.

Second, I will direct my attention to the probable effectiveness of recently announced government policies. Last, a brief analysis of the economic outlook will be presented.

At the outset, two points should be noted. First, the views expressed here are solely my own, based on my formal education, general experience in business, and indepth economic studies I have made of South Africa.

My opinions in no way are to be associated with my employer, the Chase Manhattan Bank, New York, or with any of the organizations with which I am affiliated.

Second, these opinions bear out my predisposition toward competitive capitalism in the allocation of national resources and in resolving economic, political, and social problems. These conclusions are based on theories that have been substantiated by considerable empirical evidence covering long periods of time across national boundaries.

FUNDAMENTAL FORCES, INFLATION, BALANCE OF PAYMENTS: ROLE OF GOLD

A nation can be successful in generating a strong rate of real economic growth if several coincidentally determined conditions are satisfied:

One: The population subscribes to a work ethic based on "fair" compensation, where fair refers to rates of return—however measured, in money units, happiness, et cetera—commensurate with risks perceived. That is, factors of production are permitted to negotiate and fulfill on contracts in a stable political and social environment in which the key principle is individual freedom.

Two: Rewards to savers compensate for risks perceived, so that it "pays" to save a fraction of income.

Three: Either natural resources are adequate to fuel production or they can be acquired in international trade.

Four: There is a stable monetary system.

Under these minimum conditions, passive government monetary and fiscal policies exert no significant effect on real economic growth. Output is determined solely by private decisions and initiative to save or consume, work or remain idle, et cetera. Passive policy is defined as a reasonably constant and fully anticipated, but fractionally small, rate of growth in the money supply and in government spending.

Until the late 1960's the aforementioned conditions and government policies, though far from perfect descriptors, existed in large part in South Africa. Additional advantages were the vast mineral resources and achievement-oriented attitude of the local population.

Subtracting from the potential output of the economy have been, and to a lesser extent continue to be, certain interferences with competitive markets, including division of the population along historical and racial lines, restriction on travel and land ownership and a general class-conscious attitude. Recently, capital, credit, and price-wage controls have further hindered real economic growth.

DEMOGRAPHICS, HISTORY, POLITICAL INSTITUTIONS

A full appreciation of South Africa requires familiarity with demographics, history, and political institutions. Briefly, the population contains about 4 million whites, 2 million "colored," 600,000 Asians and 17 million blacks. The whites are further divided between the Afrikaner majority—mainly descendents of Dutch settlers more than 300 years ago—and an English-speaking minority.

The blacks, too, are divided, but along tribal background, such as the Zulu and Xhosa. The Boer War, won by England in 1902, established the English-speaking minority as the ruling group. This was reversed after the Second World War when the Afrikaner Party won parliamentary majority. These nationalists have maintained control since. In my view, there is a significant political and, at times, social division between the English-speaking and Afrikaner.

South Africa has an effective multiparty parliamentary system, strongly anti-Communist. Only whites vote. But the free press—I included—can, and does, sharply criticize government policies.

SOUTH AFRICA IN THE 1960'S

An accurate description of the 1960's in South Africa is that it was a period of exceptional growth in a highly industrialized and exceptionally productive and efficient society in the utilization of physical and human resources. The minimum role of government, including only relatively small expenditures on national defense, permitted and encouraged the development of the country's vast resources.

My reading of economic history is that economies tend toward maximum utilization, efficiency and output under economic conditions found in South Africa during the 1960's. Similarities can be found elsewhere in Japan, Hong Hong, Israel, and the Federal Republic of Germany.

SOUTH AFRICA TODAY

Today, South Africa is by far the most economically developed and advanced country in Africa. With 6 percent of the continent's population, it accounts for almost 25 percent of Africa's total output.

Together, South Africa and the Soviet Union are the primary sources of platinum (90 percent of world production), gold (80 percent of world production, with South Africa responsible for 50 percent of world production), chromium (50 percent of world production), diamonds (40 percent of world production, and large percentages of asbestos, uranium, and other metals.

Incomes of the white population, on average, are substantially greater than the black population; but, on average, the blacks earn considerably more than most workers elsewhere in Africa. Thus, despite its social pressures, South Africa remains economically a highly desirable country when compared with the economic conditions prevailing in some other African nations which have served to restrict private initiative and capital investment.

ECONOMIC PROBLEMS

I believe the economic problems of the 1970's can be traced to two principal errors: (1) The failure of the government in 1971 to permit an upward float in the value of the rand; and, (2) having, therefore,

generated an extremely large balance of payments surplus and huge foreign exchange reserves which resulted in an explosion of the money supply and then unprecedented inflation, the government failed to impose stringent deflationary policies soon enough, perhaps for understandable reasons.

The abandonment of a fixed-rate gold exchange standard as an international payments system by the free world in 1971 formally ended the role of gold as an important strategic material. The result was that gold, so important to South Africa's volume of exports, continued to increase in price from an average in 1971 of about $41, to approximately $58 on average in 1972, $97 in 1973, and $159 in 1974, reaching almost $196 late in 1975.

Clearly, an increase in the price of gold was beneficial to South Africa (although individual common sense might question whether extracting two tons of rock from as much as 10,000 feet below the earth's surface to extract just one ounce of gold adds enough to human happiness for the costs involved).

In my opinion, however, the good fortune of the price increase for gold could only have been desirable for South Africa had the government permitted the value of the rand to appreciate in value as the value of South Africa's exports rose sharply relative to imports.

Maintaining a fixed exchange rate at $1.40 for the rand generated enormous foreign exchange reserves, which resulted in an explosion in the money supply and, hence, a tremendous increase in the rate of inflation.

In 1971, total reserves were about $650 million. In 1972, the figure rose to $1.3 billion, declining to $1.1 billion in 1973 and to $1.02 billion in 1974, before increasing in 1975 to $1.3 billion again.

The money supply from 1969 to 1971 increased only 10 percent, but in 1972 the rise over 1971 was 14.9 percent. In 1973 the increase was 20.4 percent. In 1974 the increase was 18.7 percent. And, finally, in 1975 the increase was reduced to 6.7 percent.

A more comprehensive index is money and near-money. The annual rates of growth beginning in 1972 were 13.7 percent, 23.0 percent, 22.3 percent, and 17.4 percent. The increases in this index in 1976 continue at rates that will maintain a high rate of inflation. Employing 1970 as a base year for the consumer price index at a level of 100, the index to 1976 was as shown in the table.

	Average for the year
1971:	
Amount	$105.7
Percent of increase	5.7
1972:	
Amount	$112.6
Percent of increase	6.5
1973:	
Amount	$123.3
Percent of increase	9.5
1974:	
Amount	$137.6
Percent of increase	11.6
1975:	
Amount	$156.2
Percent of increase	13.5
1976 (January):	
Amount	$165.5
Percent	------

Inflation in 1976 has been running at about a 12 percent annual rate. One of the reasons the inflation problem has been tolerated was because of the understandable fear of the effects of a deflationary monetary and fiscal policy on the black population. Furthermore, cutbacks in government spending have been delayed because of South Africa's strong belief in the need to increase defense spending to protect its borders.

A floating rand policy that should have started in 1971, and which I feel almost certainly would have prevented the recent inflation problem, commenced belatedly in September 1975 with the devaluation of the rand by almost 18 percent, from $1.40 to $1.15.

BALANCE-OF-PAYMENTS PROBLEMS

Balance-of-payments problems became a problem as early as 1971, when the current account deficit was $1.4 billion, the trade balance running at a negative $1.96 billion. In 1972, the current account deficit was only $15 million as merchandise exports rose from $2.1 billion in 1971 to $3.1 billion. The same year, merchandise imports stabilized at about $4 billion.

Additionally, gold sales rose from $1.3 billion in 1971 to $1.6 billion in 1972. In 1973, the current account showed a $131 million surplus; merchandise exports were $3.6 billion, up about $500 million, but this improvement in current account was due primarily to gold sales, $2.48 billion, up more than $850 million.

Inflation and the fixed exchange rate resulted in a balance-of-payments deficit on current account of $1.2 billion in 1974, as merchandise imports rose more than $3 billion to $8 billion, exports increased only 26 percent to $4.5 billion and gold sales increased 45 percent to $3.6 billion.

The disaster struck in 1975.

BALANCE OF PAYMENTS—CURRENT ACCOUNT

[In millions of dollars]

	1971	1972	1973	1974	1975
Merchandise exports	2,178	3,105	3,570	4,505	5,065
Net gold output	1,291	1,625	2,477	3,591	3,556
Service receipts	896	1,022	1,285	1,516	1,828
Merchandise imports	−4,112	−3,993	−4,967	−8,012	−9,353
Service payments	−1,714	−1,862	−2,251	−2,922	−3,542
Total goods and services	−1,461	−103	−114	−1,322	−2,446
Transfers	56	88	17	118	183
Balance on current account	1,405	−15	131	−1,204	−2,263

Source: South African Reserve Bank Quarterly Bulletin March 1976, No. 119, page 556.

The deficit in 1975 was a staggering $2.26 billion on the basis of the $1.4 rand (for comparative purposes) which came to an end in September. The actual deficit in U.S. dollars was $134 million less, after giving effect to the 18-percent devaluation on the fourth quarter 1975 deficit of $534 million.

In 1976, the deficit has increased still further in the first half of the year as the dimension of corporate stockpiling in anticipation of devaluation was added to the already long list of problems.

The deficit in 1976 is expected to be at least $1.6 billion. The government has been forced to borrow short-term to balance international payments, and these debts have placed unusual pressure on the government to resolve the crisis.

Recent Events: The decline in the price of gold to about $105 in August 1976 has exacerbated the balance of payments deficit, primarily because the rand has not been devalued further.

In my opinion, a price of $1.15 is too high. Additionally, the balance of payments continues at an increasing deficit on current account because the money supply still is growing too quickly and inflationary expectations remain high.

However, inflationary pressures are declining somewhat because the fall in the price of gold will compel devaluation, unless the government mistakenly engages in additional capital controls to limit merchandise imports. Such action I believe would only hide the problem, providing no fundamental economic cure.

The price decline in gold is largely due to two external factors—the sale of gold by government central banks to cover balance of payments deficits and by the International Monetary Fund.

The recent decline in the rate of real economic growth from 7 percent in 1974 to 2.2 percent in 1975, and with no growth in 1976, has not been the result of a tight monetary policy, since the money supply has continued to increase too rapidly to slow the economy appreciably.

Recently, the rate of growth in money has been at a 12-percent annual rate; too fast, but much less than the rates in 1973, 1974 and 1975 of 23 percent, 23 percent and 17 percent. The money growth has been reduced by increasing the domestic South African banks' reserve requirements in late 1975.

PRINCIPAL CAUSES OF ECONOMIC SLOWDOWN

The principal causes of the economic slowdown has been the price decline in gold, the worldwide recession that reduced the demand for South Africa's other minerals, the imposition of price controls and more stringent capital controls, both of which have added to investors' and managements' uncertainty regarding the expected rates of return on investment in corporate capital and, thus, common stocks.

The high rate of inflation together with political uncertainty also appear to have led to an increase in permanent inflationary expectations and have made borrowing terms for corporations more stringent and reduced the availability of long-term credit.

This is reflected in unusually high interest rates—long-term government debt 10 percent, public corporations debt 11.5 percent, municipal debt 11.3 percent, mortgage bonds 16.35 percent. Furthermore, the high rate of inflation has increased the after-tax cost of equity capital to about 15 to 16 percent. Together with controls that erode investment returns, prudent managements have been reducing capital investment.

ECONOMIC OUTLOOK

Outlook: The outlook for the next 2 to 4 years is clouded by some economic uncertainties. The government needs to implement policies that are likely to permit the competitive labor, product, foreign exchange, and capital markets to function as they did under the relatively free forces that predominated a decade ago.

I believe the rate of growth in the money supply must be reduced to annual rates of about 6 to 8 percent, the rate of growth in government spending on nondefense projects must be curtailed, the rand must be devalued and, if the price of gold does not increase in the near future, the importance of the aforementioned measures will become even more critical.

The government apparently would prefer to delay these solutions, even if its near-term directives merely hides the problems from public view. Thus, it is not at all surprising that in 1976 credit controls have been established instead of directly reducing the rate of growth in the money supply—in particular by the imposition of a ceiling on bank lending, in addition to the aforementioned increase in reserve requirements. Price controls have been strengthened and broadened, which will cause dislocations in the allocation of corporate resources.

Furthermore, effective August 2, import controls were strengthened—now importers must deposit 20 percent of the value of imports on a 6-month interest-free basis.

The impact of these irritants is to reduce the efficiency of the economy while adding to the rate of unemployment. Indirect attempts at resolving fundamental problems almost always exacerbate the problems and often cause others.

The result of current attempts by the government to overcome the existing economic turmoil will only delay what I see as the needed solutions.

Inflation is a tax borne primarily by the poor. Capital and credit controls reduce funds needed for economically justifiable projects that add to employment. Therefore, it appears that the government's programs will tend to hit hardest on the least fortunate in the society.

CAUSE OF ECONOMIC PROBLEMS

In conclusion, I believe the economic problems in South Africa were caused primarily by the failure to appreciate the value of the rand in 1971 as the huge balance of payments surplus materialized; in turn causing an extremely high inflation rate as the money supply rose by more than 60 percent in only 3 years. The solution now is tight fiscal and monetary policies, without stifling fundamental economic forces through controls.

Mr. Chairman, I wish to thank you for the opportunity to present my views on the current economic conditions and future outlook in the Republic of South Africa. I will be pleased to answer any questions that you may have within my expertise.

HEARING PROCEDURE

Senator CLARK. Very good. We are going to listen to each of the papers first. My first question will be to ask you to try in 1 or 2 minutes to summarize the economic situation in South Africa as you see it today and what the prospects are. You have done that in the longer paper.

I would like to turn now to Dr. Pauline Baker, who has a very long biography, and I am not going to read it all. But I notice you spent several years teaching at Lagos in Nigeria; currently a Rockefeller

Foundation fellow working on South Africa's response to Portuguese decolonization.

I have had occasion to work with her before and find her a very, very capable person in this area. I am most impressed by her knowledge of South Africa. I think you just returned from a rather extensive visit in South Africa. Is that not correct?

Mrs. BAKER. That is correct, Mr. Chairman.

Senator CLARK. How long were you there?

Mrs. BAKER. Two months.

Senator CLARK. Proceed in any way you think appropriate.

STATEMENT OF DR. PAULINE BAKER, FELLOW, ROCKEFELLER FOUNDATION, NEW YORK

Mrs. BAKER. I am going to begin by giving a short background, very brief, as far as my trip is concerned. That was the second of two trips to southern Africa. The first occurred in April and May of 1975 at the height of détente. The second, to which you referred, was in July and August this year in the midst of the riots in South Africa.

During my research, I saw approximately 150 people in government, military, press, academic, church and business circles. If I were to sum up my views in one sentence regarding the two trips, I would say that I am much more pessimistic now than I was last year regarding the opportunities for a peaceful solution in southern Africa.

I am submitting to the subcommittee a written statement on South Africa's foreign policy which covers four major areas. The first is South Africa's basic foreign policy motivations. The second refers to South Africa's dual response to the new security situation in the region. The third is on Rhodesia and Namibia. The fourth is on the role of the United States.

For the sake of brevity, I am going to concentrate in the opening statement on highlighting contemporary issues which refer to the status of détente, South Africa's defense moves, relative prospects for solutions in Namibia and Rhodesia, and the role of the United States.

DÉTENTE POLICY

South Africa's détente policy was a specific reaction to Portuguese decolonization, a peace plan or a diplomatic offensive that now is effectively dead. It collapsed with the failure of the Victoria Falls talks a year ago. It was buried after South Africa's military intervention in Angola. Kaunda confirmed this in a speech last month in which he blamed Vorster specifically for the escalating violence.

With Vorster's peace plan shattered, South Africa is now concentrating on building up her security and defense. She continues to supply Rhodesia with arms and provide her outlets to the sea. Despite withdrawal of paramilitary police, South Africa left 40 helicopters and pilots in Rhodesia. The pilots are now allegedly said to have been withdrawn, although the helicopters are presumably still there.

One very reliable source reported to me during my trip that South Africa is also building two military bases in Rhodesia, one having been completed, and one under contract.

In Namibia, South Africa has 11,000 to 16,000 troops on the northern border where she has created a free-fire zone extending 300 miles along the frontier and 1 mile deep. Her own military budget has soared. In 1976, South Africa appropriated $1.5 million for defense—40 percent more than last year's expenditures and double that of 2 years ago.

She has also tightened up internal security. During the last parliamentary session, the National Party extended the period and widened the conditions under which preventive detention may be enforced. Since June, about 200 leaders of black groups have been indefinitely detained without charge under this law.

UNITED STATES VIEW OF NAMIBIAN, RHODESIAN PROBLEMS

Right now the international focus is on Namibia and Rhodesia. The official U.S. view is that Namibia will be easier to solve than Rhodesia. This is an interpretation with which I strongly disagree for the following reasons.

The first refers to the respective nationalist groups. SWAPO is in the strongest diplomatic position of any nationalist movement in Africa. It is regarded by the UN [United Nations] and the OAU [Organization of African Unity] as the sole legitimate representative of the people of southwest Africa. There have been some divisions internally, but basically it is a united movement. It is aided by foreign sources. It has the support of the largest tribe in Southwest Africa. It operates from two sympathetic countries, Angola and Zambia. The Zimbabwe nationalists, by contrast, are divided between the civilian and the military leaders on the one hand, and then within each of these groups on the other. This has resulted in serious in-fighting and violence that has badly hurt their cause. None of the factions within the Zimbabwe nationalist organization has received international recognition.

The second reason for my disagreement with the official view refers to the role of the whites in the two respective countries. In Rhodesia the ratio of blacks to whites is 22 to 1. In Namibia that ratio is 8 to 1. Most white Rhodesians are recent immigrants who have political ties with South Africa. Most white Namibians are second or third generation settlers, many with blood ties to South Africa. The Namibian white are therefore proportionately larger and have closer bonds with Pretoria.

The third reason relates to political traditions and South African obligations to the two territories. The Rhodesian constitution includes black representation, however small, and implies eventual majority rule. Namibia was modeled in the shadow of its master, having duplicated apartheid, which many whites feel that South Africa is obliged to defend. South Africa has ruled Southwest Africa for nearly half a century under virtual proprietary control, whereas Rhodesia is regarded more remotely as a political ally with a separate identity.

The fourth reason relates to economic interests. South Africa has large investments in Southwest Africa, especially in mining where there are large reserves of uranium and diamonds. Economically, Rhodesia is easily dispensible from the South African point of view.

The final and probably most important reason relates to international interests. South African and U.S. interests coincide on Rhodesia as far as the ultimate objective is concerned. Both want a constitutional settlement toward majority rule as quickly as possible. Neither wants to get embroiled in defending a sinking regime.

UNITED STATES, SOUTH AFRICAN INTERESTS DIVERGE ON NAMIBIA

By contrast, U.S. and South African interests diverge on Namibia. The United States wants rapid independence and majority rule, withdrawal of South African military, police and administrative personnel, and a cessation of hostilities, South Africa wants slow independence, has not yet conceded the principle of majority rule, cannot possibly withdraw her personnel when there is no one acceptable to her to turn over to, and will tolerate continuing hostilities in order to assure that the fighting does not rush down to her own borders along the Orange River.

My view, therefore, is that Namibia is far more complex and will almost surely bring U.S. and South African interests into direct conflict. The collapse of white Rhodesia is inevitable; the only remaining questions relate to how and when.

UNITED STATES ROLE FOLLOWING COLLAPSE OF RHODESIA

What is the role of the United States, then, in this situation? First, we must recognize certain basic realities. The blacks want a black solution, not one arranged out of American paternalism or out of South African pragmatism. Many blacks actually prefer an armed solution to a negotiated one, feeling it would establish true independence unrelated to white power and insure a deeper commitment of freedom fighters to the black struggle.

Second, blacks are deeply suspicious of American intentions. They fear the United States might rob them of their victory and introduce the cold war into Africa; and, in dealing with South Africa, the United States, in their eyes, might form an alliance inimical to their interests.

In light of these feelings, the United States must be absolutely clear as to what our intentions are with respect to both whites and blacks, defining the limits of our involvement in order to avoid misconceptions, such as occurred in Angola where blacks accused us of being in tow with South Africa and South Africa criticized us for failing to live up to that accusation.

We must also not lose sight of the fact that South Africa has nothing to lose by entering into negotiations wih Secretary Kissinger and it has everything to gain. Pretoria is making full use domestically of the prestige and respectability that South Africa is reaping as a result of the talks. We must not let this go too far, giving Pretoria the impression we are in alliance with her and giving black Africa the impression we are selling out to apartheid.

Keeping front-line states in consultation is a good step, but this alone does not satisfy the suspicions blacks have about U.S. intentions. Only concrete actions will do that.

The concrete actions which the United States might take fall into two categories. The first regards a series of things we could have done long ago, like repeal of the Byrd amendment, closure of the Rhodesian Information Office, reversal of the Ruling which permits U.S. companies in Namibia to receive tax credits for taxes paid in South Africa and using U.S. companies as agents of social change.

But at this point in the conflict these are symbolic acts that will have little real impact on the larger forces which are shaping the destiny of southern Africa.

The main thing now is to extract concessions from South Africa at a time when, facing crises on every front, she needs the United States most.

This brings up the second category of things that we can do. I think the objective of the Kissinger talks should be to derive a commitment from South Africa to cut the umbilical cord with Rhodesia, quietly or publicly, and to include SWAPO in constitutional talks as a political party. This is the only way in which the war in Namibia can be stopped and a transition to independence under stable conditions can be assured.

In conclusion, therefore, I would like to stress that Pretoria's foreign policy is basically attached to one single overriding theme—to make Africa safe for Afrikanerdom, a goal that is in fundamental contradiction to black African nationalism. Sooner or later the United States is going to have to choose between these two. The longer it takes, the narrower will be our options.

RHODESIA, NAMBIA ARE PRELUDES TO SOUTH AFRICAN CONFLICT

Rhodesia and Namibia are preludes to a conflict which is coming in South Africa itself. As long as white supremacy remains the keystone of South Africa's policy, the future presents an appalling spectacle. Eventually Pretoria will be fighting a civil war and an international onslaught on its frontiers concurrently, a situation which no regime in history has yet survived. America's policy should not continue to place a protracted process toward peaceful change above the immediacy of demands for racial justice. It is only from justice that peace will follow, and not the reverse.

[Mrs. Baker's prepared statement follows:]

PREPARED STATEMENT OF DR. PAULINE H. BAKER

Mr. Chairman, members of the subcommittee, I welcome this opportunity to appear before you. I have just returned from an extensive two month visit to southern Africa, the second of two research trips sponsored by The Rockefeller Foundation. I traveled to South Africa, Namibia, Zimbabwe, Zambia, and Tanzania, and during my research I conducted interviews with approximately 150 people in government, military, press, academic, church and business circles. I also saw representatives of the nationalist movements in southern Africa, bantustan leaders, and members of black consciousness groups in South Africa, many of whom are now in detention. I was fortunate in being able to go into some of the active war areas, particularly in Zimbabwe, and to visit the protected village scheme.

The contrast between the two visits was remarkable. The first visit, in April and May, 1975, was at the height of the detente exercise and the promise of internal reforms within South Africa; the second, in July and August this year, was in the midst of widespread race riots in South Africa, the escalation

of the war in Zimbabwe, and intensified military and political activity in Namibia. There is little question in my mind that the region of southern Africa is drifting faster than ever toward a major international war and that the options have narrowed and the time frame has shortened drastically for peaceful solutions.

I. SOUTH AFRICA'S FOREIGN POLICY MOTIVATIONS

South Africa remains the key to the subcontinent's racial problems and her role in regional transformation is vital. There are two central motivations which underlie Pretoria's foreign policy, one domestic, the other international. The main domestic determinant was stated forcefully by South Africa's first National Party Prime Minister, Dr. A.I. Malan in 1948 and stands as the cornerstone of the government's policy. Explaining the Afrikaner attitude toward Africa, he said:

> The whole question of the driving power of Afrikaner nationalism reduces to that of survival. This point is cardinal. He who fails to grasp this most elementary fact that the Afrikaner is fanatically determined to survive as a European race has failed to grasp the most elementary fact of South African politics. Why this fanaticism? Let us consider the facts, and maybe the reason will become clear. The Continent of Africa contains roughly 230,000,000 (now 300,000,000) people of whom 4,000,000 (now 5,000,000) are white, and among these Europeans there is only one single and distinct nation, the Afrikaner nation. For better or for worse, this tiny nation has decided that, in spite of the overwhelming preponderance of black and coloured races, it is going to survive as the European nation at the southern extremity of Africa. The object of Afrikaner nationalism is primarily the perpetuation of European culture at the limited corner of the vast Continent of Africa . . . The matter of survival has become an irresistible life force, and a veritable obsession.

In the 28 years since the National Party has been in power, this driving force has produced a system of apartheid, or separate development, which aims at the total political separation of black and white races. There have been modifications over the years, the most important of which is the creation of nine black homelands, fragments of uncontiguous land representing 13 percent of the total area of South Africa which are to be independent countries for all blacks, comprising 71 percent of the total population. Other proposals to modify apartheid have also been considered, including more recently a cabinet council plan for Coloureds and Indians. The Westminster model of parliamentary government has been said to be inappropriate for South Africa and the government has appointed a committee to investigate alternatives, perhaps a state president popularly elected by Coloureds, Indians and whites, or a third chamber of the legislature to give some sort of political representation to blacks.

It is essential to understand that the single fact underscoring these proposals is that whites view their survival as a people to be threatened by the black population, both within and beyond their borders. Therefore, efforts at change and reform are designed to divert black political demands into channels that do not threaten white survival. Power sharing is regarded as political suicide and this is where the government, which views itself as a protector of white interests only, draws the line at compromise. White survival is equated with white supremacy within South Africa, and this remains the unalterable political premise of the ruling National Party ideology.

Foreign policy is largely a reflection of this domestic insecurity. During the fifties and early sixties, South Africa existed in a state of virtual isolation from the rest of Africa because of apartheid. But it could tolerate that position due to its cultural, economic and political links with the West and its geographical location, safely protected behind a transcontinental belt of white-ruled buffer states to the north. As decolonization of black Africa began in the late fifties and continued throughout the decade of the sixties, South Africa made tentative steps toward opening up new contacts with black Africa in the expectation that, in time, her domestic policies would gain, if not approval, then acceptance as a fait accompli that the new states of black Africa were powerless to change. By far the richest and most powerful state on the continent, South Africa felt she had the time and the resources to establish strong economic associations with black African states, as well as to begin developmental programs for her black population, that would stem the tide of nationalism against apartheid. It

was essentially a premise that many countries, including the U.S., have erroneously made with regard to Africa, namely, that economic rewards will change political ambitions.

Economic ties were established with some 15 states in black Africa and in 1967 diplomatic relations were opened with one, Malawi. Prime Minister B. J. Vorster cautiously inaugurated his "outward-looking" policy which graduated to "dialogue" with black African states, neither of which proved to be very successful. The controversy over whether black states should enter into dialogue with Pretoria tended to divide black Africa into moderate and radical camps, the membership of which fluctuated as fast as the changing regimes in the new states. Over the years, it has become clear that South Africa has no reliable allies on the continent, but rather a series of tenuous economic associations with needy states, many of whom have become open critics of apartheid, including Lesotho, geographically surrounded by South Africa, and more critically, Mozambique. Even Malawi which was widely regarded as a compliant ally of Pretoria withdrew its mine labor after a plane carrying migrant workers crashed in Francistown, with Malawi claiming South African negligence. Pretoria's reliance upon foreign labor remains a strategic vulnerability that the country is trying desperately to overcome. It was partly a realization of its need of black Africa in ways such as this that South Africa initiated the outward-looking policy and the attempt at dialogue.

1974 changed all that. The International factor that dramatically shaped South Africa's foreign policy was the collapse of the Portuguese empire in Africa, the most serious challenge to Afrikaner nationalism since the Boer War. It had a devastating impact on the strategic balance of power in southern Africa, the full consequences of which are yet to unfold. Portuguese decoloniation brought into question the fundamental premise of apartheid which holds that white supremacy is the key to white survival; it dissolved the buffer zone of white-ruled states to the north that operated as a security cocoon within which Pretoria leisurely spun its web of economic links with black Africa, it presented a chaotic debacle in Angola, to which South Africa responded, against the counsel of top security advisors and in contradiction of its stated policy of nonintervention, by invading a neighboring country in support of one of the rival nationalist movements; and it opened up new war fronts for attacks on Zimbabwe and Namibia which in the course of the last year and a half have escalated into two guerilla wars supported by foreign powers.

By exploding the myth of white invincibility, Portuguese decolonization also inspired new thinking and action among South African black youth, the children of Sharpeville, born under apartheid, witnesses to a historic trend of decolonization extending from the northern part of the continent to the south. For them, apartheid is a form of internal colonialism, making liberation more difficult, but not substantially different from what has transpired in the rest of Africa or in the Third World. Steve Biko, the founder of the militant South African Students Organization, and the person most frequently identified to me as the authentic black voice in South Africa today, affirmed this view when he wrote in 1972 that:

> * * * There is no doubt that the Black-White power struggle in South Africa is but a microcosm of the global confrontation between the Third World and the rich White nations of the world which is manifesting itself in an ever more real manner as the years go by. . . . The wounds that have been inflicted on the Black World and the accumulated insults of oppression over the years were bound to provoke reaction from the Black people. Now we can sit and laugh at the inhumanity of our powerful masters, knowing only too well that they destroy themselves and not us. . . . Over the years we have attained moral superiority over the White man; we shall watch as Time destroys his paper castles and know that all these little pranks were but frantic attempts of frightened litle people to convince each other that they can control the minds and bodies of indigenous peoples of Africa indefinitely.

Black South Africans are keenly aware of the strategic internal advantages of a shinking South African regional hegemony. Ideologically, Portuguese decolonization greatly strengthened their political commitment. Logistically, the border situation was also highly relevant for them, enhancing their opportunities to leave the country for guerilla training and re-enter again as freedom fighters, the precedents having been set in Zimbabwe and Namibia which stand on the threshold

of full-scale war. There are "terrorist trials" going on in South Africa today in which defendants are being charged with illegal border crossings to Swaziland and Botswana for recruitment and training in guerilla warfare. It has been estimated that some 200 people have thus far successfully escaped from South Africa for this purpose, a small but significant beginning of a pattern of guerilla recruitment endemic to southern Africa. Mozambique may soon offer another route of infiltration and, after majority rule comes to Zimbabwe, many blacks feel Botswana might be freer to act as a base for insurgents.

South Africa is thus facing the prospect of defending a 2,400 mile long border (if Namibia is included) or a 1,800 mile long border (if the South African forces are withdrawn to the Orange River), extending across the continent from the Atlantic to the Indian Oceans, a defensive line that would be impossible to hold in a protracted conflict against a growing force of well-armed and well-trained insurgents operating from four countries on her frontier. In light of the Cuban intervention in Angola, Chinese and Soviet support of rival liberation movements, Soviet naval expansion in the Indian Ocean and the Cuban and Angolan support of SWAPO, South Africa faces not only the probability of expanded guerilla warfare, but also the contingency of more conventional attacks involving armored columns, sophisticated weaponry, air power, and possibly even naval confrontations.

An embattled minority regime facing these kinds of threats cannot afford to turn from the prospect of achieving nuclear capability. Atomic energy research began in South Africa in the late 1950's. Today South Africa has a nuclear reactor center at Pelimdaba, near Pretoria, and is starting a second at Keoberg, near Cape Town. Pretoria boasts a new and cheaper uranium enrichment process developed by her own scientists, and she possesses large uranium reserve in the Transvaal and in Southwest Africa. The country could easily be among the next generation of nuclear powers, a goal which is reported to be feasible within 3 years of the decision to go nuclear. Uranium, a by-product of the gold mining industry, represents the most spectacular chapter in the recent history of South African minerals, earning more than $1 billion in the first 25 years of production. The development of a cheaper enrichment process halved the cost of uranium production. South Africa has refused to sign the Nuclear Non-proliferation Treaty and in the long run will probably develop atomic weapons, making herself appear all the more threatening to black Africa.

II. DETENTE AND DEFENSE

Since 1974, Pretoria's strategy in southern Africa has involved a dual approach. The first was to launch a diplomatic offensive known as detente, a peace plan described by South Africa as a natural outgrowth of the outwardlooking policy and dialogue proposals of the 1960's. The second approach was to prepare for war and strengthen internal security in the event that detente failed to avert what Vorster described as alternatives "too ghastly to contemplate."

In detente, Vorster appeared to see the necessity for coming to terms with black Africa. There had long been a recognition of the economic interdependence of the states in southern Africa and the enormous possibilities for growth and development of the region, under South African dominance. It was likewise realized that being accepted by black Africa was a precondition for genuine acceptance by the West, a central goal which has marked South Africa's foreign policy but always seemed just beyond reach. In January, 1976, in the wake of South African military intervention in Angola, Vorster again solicited American overt support, resurrecting the old image of South Africa as a bastion of the Free World needing backup from the U.S. "Only bigger Western powers could resist Communist penetration of Africa, not only in the diplomatic field but in all other fields," he said. "If non-communist powers allowed Angola to be hounded into the communist fold at the point of the bayonet, the price for Africa would be enslavement far worse than that of the 18th and 19th centuries."

The most urgent imperative of detente, however, was to cease the drift toward a racial war. It is as yet unclear whether South Africa ever felt that the fuse igniting the conflict could be cut by detente, or simply lengthened, giving Pretoria more time for military preparedness. In any event, Vorster took bold initiatives in 1975 to induce Ian Smith to negotiate with Zimbabwe ANC leaders, going as far as obtaining the release of political detainees, withdrawing South African paramilitary police from the Rhodesian operational area, and entering into a series of delicate negotiations with Zambia, with whom relations were at an all time

low just four years before. The climax of a flurry of secret diplomacy between Salisbury, Pretoria, Lusaka, Dar es Salaam, Gaberones, and Maputo was the Victoria Falls meeting, symbolically located on the bridge linking Rhodesia with Zambia where, on a South Africa train, black and white leaders met to talk about talks.

When the negotiations broke down, South Africa's policy suffered a serious setback. Unable to deliver Smith to the conference table, Vorster was unable to show anything concrete to be derived from detente. In fact, everyone who staked their reputations on the talks stood to lose. President Kenneth Kaunda, who had courageously paved the way in consultation with Tanzania, Botswana, and Mozambique, allowed Zambia to be the stepping stone of Vorster's efforts, describing as "the voice of reason" the Prime Minister's crossroads speech in October, 1974, in which Vorster proclaimed that Southern Africa had to choose once and for all between peace or escalating conflict. Both Kaunda and Joshua Nkomo, the ANC leader on whom hopes for a settlement had been placed, lost credibility in the eyes of radical blacks who had argued that armed struggle was the only way to liberate Zimbabwe. And Pretoria was left in the unenviable position of being unable or unwilling to release itself from support of what it recognized but could not publicly admit is a sinking regime, due to fears of a right-wing backlash.

As a result, Smith remains as strong as ever within Rhodesia, the Zimbabwe ANC is deeply split, the guerilla forces have been coordinated into a Zimbabwe Liberation Army formed this year under the command of a "Third Force" which is itself divided. Mozambique has committed its troops to the conflict, and the four Front-Line states—Botswana, Zambia, Tanzania, and Mozambique—have come together in an alliance of collective responsibility in the struggle against white rule. It is through them that the Third Force leadership is organized, that the insurgents are being trained, armed, and politically conditioned, and the political and military offensive is being coordinated. A striking illustration of their role is the recent summit in Dar es Salaam which for the first time included Angola, and which took place at the time of the second round of Kissinger-Vorster meetings. What has materialized is a bifurcation of strategies along racial lines, with whites, including the U.S. and SA, coordinating efforts on the one hand, and blacks, under the tutelage of the Front-Line states, forming a coalition on the other.

From black Africa's point of view, the major reason for participation in or agreement to the detente exercise—the settlement of the Rhodesian issue through Pretoria's intervention—has evaporated. In June, Zambia accused South Africa of aggression against her southern border, and in a major policy statement last month during an interview with J.H.P. Serfontein, an Afrikaner reporter for South Africa's Rand Daily Mail, Kaunda attacked Vorster personally, calling him "dishonest" and holding him directly responsible for the escalation of violence. "One must be specific," Kaunda said. "It is Mr. Vorster who is to blame. If he wanted it, the rebels in Rhodesia would be on their knees tomorrow and there would be majority rule. But Mr. Vorster has continued to prop up the rebel regime." It is significant that this accusation came one year after the failure of the Victoria Falls Talks, on the eve of Vorster's second meeting with Kissinger.

With detente in shambles, South Africa is left with its second response—military preparedness and strengthened internal security. In 1976, South Africa's military budget exceeded $1½ billion, an increase of 40% over last year's budget and double the amount spent two years ago. Imports of strategic materials—oil and military equipment—in 1975 amounted to more than $1 billion, a heavy drain on foreign exchange at a time of severe economic recession. During the last parliamentary session, South Africa extended the period and widened the conditions under which preventive detention could be enforced. Justified on the grounds of heightened external threats and passed over the objections of the opposition parties, the Internal Security Law was invoked only two months after its passage in response to domestic unrest and has been applied throughout the country. Since June, approximately 200 leaders of black consciousness groups have been indefinitely detained without charge and have no right of appeal through the courts.

South Africa's policies in Rhodesia and Southwest Africa illustrate the decision to build-up its defensive position. While attempting to convince Smith to negotiate, Pretoria continued to supply Rhodesia with arms for conduct of the war and continued to provide road and rail outlets to the sea after Mozambique's border closure. In addition, despite its much publicized withdrawal of its para-

military police, South Africa retained 40 of its helicopters and pilots in Rhodesia to assist in counter-insurgency operations. Helicopters are vital to the war, used as spotters and gunships against the insurgents. Unconfirmed reports allege that the pilots were withdrawn 11 days before the Zurich meeting, while the helicopters are presumably still in Rhodesia. Moreover, a reliable source knowledgeable about Rhodesia's military strength informed me that South Africa is building two military bases in Rhodesia, one of which has been completed and another under contract.

South African authorities are deeply concerned about the escalating pattern of the conflict. They see the nationalists fighting a sophisticated war, penetrating deeply into the country, opening up new fronts that will spread Rhodesian forces around nearly the entire border, and applying the tactics of classic guerrilla warfare—encirclement of the cities and attacks on communications and supply lines. The war began in 1967 and the current offensive commenced in 1972. Salisbury expects a new offensive in November, supported by 7,000 guerrillas from Tanzania and Mozambique, and another 2,000 from Zambia. According to government reports, some 1,100 guerrillas are now inside the country. Rhodesian armed forces stationed in combat zones total 6,000, but Salisbury could mobilize, at great cost to her economy, a 10,000-man territorial force, 35,000 reservists, and 8,000 police. The recent upsurge of the conflict to include conventional attacks on military installations and on Umtali, the third largest city, and Rhodesia's attack on a refugee camp in Mozambique greatly worries the South Africans who fear that escalating conflict could provoke foreign intervention. This eventuality and the possibility of a massacre of whites might impell South Africa to intervene militarily, as she did in Angola. It is an alternative Pretoria wants desperately to avoid, but one which she cannot exclude.

In Namibia, South Africa has taken some fresh political initiatives while again building up her military presence. Having ruled the territory since 1920 virtually as a fifth province, South Africa has promised to grant Southwest its political independence. Toward this end, she has established a constitutional conference with delegates drawn from the country's 11 ethnic groups. Last month, Pretoria announced December 31, 1978, as the target date for independence and promised an interim inter-racial government. The essential objective here was to answer the U.N. deadline of August 31, 1976, which called for a withdrawal of South African forces and U.N.-controlled elections under the penalty of a resolution calling for economic sanctions. It is important to recognize that these political initiatives are a change in Pretoria's policy and were produced after bitter infighting among National Party members in Windhoek and Pretoria. But it is equally important to recognize that these proposals fall far short of stopping the war in Namibia. Guerrilla incursions there began 10 years ago, four years after the initial attacks on Rhodesia, and are escalating in a pattern that bears striking resemblance to Salisbury's war. There are differences, however, that indicate that the nationalists' war in Namibia might be far bloodier than the war in Rhodesia.

First, SWAPO, the Namibian nationalist organization, has nowhere near the internal divisions of Zimbabwe's ANC, although there has been some dissension which the SWAPO leaders and the Front-Line states seem to have successfully contained. Second, SWAPO is recognized by the OAU and the UN as the sole legitimate representative of the peoples of Southwest Africa, fighting against South Africa's administration which is deemed illegal by the international community. This is the strongest diplomatic position any nationalist organization in Africa has ever obtained. Third, SWAPO is already being directly trained and supplied by foreign forces and operates from bases in two sympathetic countries, Angola and Zambia. As incursions in the past few months confirm, SWAPO guerrillas have become better equipped, better disciplined, and better situated logistically since the independence of Angola.

While Rhodesia is getting all the publicity, South Africa is likewise carrying on a guerrilla war of its own, defending a military line stretching nearly 1,000 miles from the Cunene River in the West, along the Angolan border, to the Okavango River, and the Caprivi Strip to the Zambezi River in the heart of southern Africa. In an attempt to seal off infiltration, Pretoria has depopulated and mined a shoot-to-kill, free-fire zone more than 1 mile deep and extending 300 miles along the Angolan border between the Cunene and Okavango Rivers. There are between 11,000 and 16,000 troops posted along this frontier, a South African force in this sector alone greater in number than Rhodesia has presently committed in all her

active border areas. Military administration has been established in Kaokoland, Owambo, Kavango, and Caprivi, four of the nine bantustands in the country. Security forces seem to have contained guerrilla penetration for the moment, keeping insurgents out of white areas, but the attacks in the northern regions continue.

A complete removal of Pretoria's administrative, police and defense personnel at the time of Namibian independence would be likened to Portugal's abrupt withdrawal from Angola and Mozambique, raising fears of a SWAPO takeover, nationalization, and foreign intervention. South Africa does not want to engage in an international war nor invite economic sanctions over the issue of Namibian independence, but neither is she prepared to withdraw from the territory in such a way that would 1) result in another hostile neighbor or her border that might act as host to South African guerillas, 2) force her to relinquish sizeable economic interests, particularly in uranium and diamonds, and 3) abandon a population of 100,000 whites, the majority of whom are of South African origin.

The basic problem in stopping the war relates to Pretoria's attitude toward SWAPO which insists on negotiationg as a political party with the South African government, not within the framework of the current Turhalle talks whose delegates are selected on an ethnic basis, the principle of apartheid political representation. On this point and on international participation in assuring fair elections, South Africa might compromise on its present position, provided it could do so in a way which would assure protection of minority rights, preserve economic stability through private enterprise, and institutionalize some measure of political parity among the various ethnic groups. South Africa hopes to do this through constitutional guarantees and through a continuing association with a successor government in administrative, security, and defense matters. At that point, it is possible, even likely, that Pretoria will actively seek SWAPO's support to end the war. But this strategy presupposes that SWAPO will agree to talk under these terms, that the war will be containable for at least another two years, that international pressure on South Africa will permit this type of plan to be implemented, and that foreign intervention can be successfully resisted during these maneuvers.

III. RHODESIA AND NAMIBIA

The current view of the U.S. State Department which underlies the Kissinger Vorster meetings is that Namibia will be more easily resolved than Rhodesia, a view with which I am in substantial disagreement. Officials cite the fact that Smith is internally strong and uncompromising, the African states are becoming more committed to armed struggle, the nationalists are divided, and Vorster is unable to act freely due to internal constraints.

My view is that the collapse of white rule in Rhodesia is inevitable, while in Namibia it is problematic, South African interests vary greatly between the two countries, being more or less in accord with U.S. objectives in the case of Rhodesia but discord with U.S. objectives in the case of Namibia. A brief look at the structural conditions in the two territories will show why this is so.

In Rhodesia, the ratio of whites to blacks is 22 to 1 and getting wider due to rising white emmigration. A quarter of a million whites cannot indefinitely dominate 6 million blacks, with the African states surrounding them in full support of a military solution, the international community opposed to the illegal regime, and its single ally itself facing a weakened position. All international actors in the conflict agree on the ultimate goal of black majority rule, the differences among them relating to questions of how and when. Black Africans want to see black rule in Zimbabwe through black efforts, regardless of whether this necessitates a prolongation of the war, a Marxist successor regime, or the prospect of military dictatorship and civil war. Foreign assistance is not preferred, but neither is it rejected, if it will produce the desired results. American and South African interests take exception to the threat of foreign forces, a radical successor regime, and the prospect of prolonged conflict. Whereas the black Africans do not fear another Angola, the U.S. and South Africa are doing their utmost to prevent its repetition.

At a press conference last weekend, Vorster was asked how a peaceful solution in Rhodesia was attainable. "By blacks and blacks talking to each, and by the whites and blacks talking to each other . . . ," he replied. The fact of the matter is that many of the key participants actually prefer a third solution, armed struggle, over a negotiated settlement. First, it would make victory a wholly

black endeavor owing nothing to American paternalism or South African pragmatism. Second, it would deepen the commitment and lengthen the period of political education of the freedom fighters. Third, it is in agreement with the emotional content of black nationalism, showing the world that blacks are every bit as proud and determined as whites and are capable of achieving their own liberation.

Similar black views apply in Namibia and, as indicated earlier, the nationalists may eventually be a greater political and military force than the Zimbabwe nationalists. But other factors add to the complexity of the Namibian issue. Whites in the country are the second largest ethnic group, comprising 100,000 of the 900,000 population. There is a significant German element and many whites have come to regard themselves as "Southwesterners" with deep emotional attachments to the country. But the bulk of whites nevertheless come from South Africa, consisting of government personnel and a wealthy class of landowners and businessmen. White-owned farms comprise about ⅔ of the total land area. Whites and some of the smaller non-white ethnic groups fear domination by the Owambos, the largest single group located on the northern border, the area of guerilla presence. The Owambos represent nearly half the total population, among whom SWAPO is strongest. There is no political party in Southwest Africa today that can match SWAPO in strength, although there are at latest count 29 political parties in all. Tremendous cultural and political divisions exist, but the groups can be broadly divided into two: one led by SWAPO which seeks total withdrawal of South Africa from the territory and another conglomerate which seeks South African protection.

Economic interests and political traditions further complicate the issue. Though less developed than Rhodesia, Namibia is potentially very rich, with large reserves or uranium, diamonds and other untapped resources. Rhodesia functions under a constitution which permits some black representation and implies eventual majority rule, whereas Southwest Africa was modeled in the shadow of its master, duplicating Pretoria's apartheid policy. Add to this a strategic geographical location, with a 800 mile long coastline, a 450 mile border with South Africa, and a 1,000 mile frontier with Angola, the gateway of Soviet penetration of southern Africa.

Thus, on sentimental, political, economic and security grounds, South Africa has a much greater interest in retaining influence in Namibia, over which it has exercised virtual proprietary control for nearly half a century, than it has ever had in Rhodesia, regarded as an ally with a separate identity. There is by no means an assumption in Pretoria that Namibian independence means black majority rule; it may well mean a coalition government with whites playing the central role. Neither is independence equated with immediate South African withdrawal, as its failure to introduce training programs in administrative, police and defense fields suggests. In Rhodesia, Pretoria could act simply by quietly cutting off its lifeline of support. In Namibia, Pretoria has a much more difficult job at hand: it must create a transition to independence that simultaneously satisfies the international community, allys the fears of minorities, fulfills the aspirations of militant nationalists, and guarantees that South Africa's own vital interests are not sacrificed. Above all, Pretoria is determined not to permit the guerilla war on the northern border to rush down to the eastern limits of South Africa itself, within 350 miles of Cape Town. For these reasons, I feel that Namibia well may be the stumbling block upon which U.S. and South African interests are brought into direct confrontation, an eventuality which the current administration rejects.

IV. THE ROLE OF THE U.S.

Perceptions of American involvement in Southern Africa vary greatly among the participants in the conflict for vastly different reasons. Maximum misperceptions are held by white Rhodesians, many of whom cling to the belief that in the final analysis the U.S. would rescue them from what they regard as a communist takeover, including the use of our troops if necessary. Rhodesians more attuned to American political realities feel that South Africa might fulfill this role as a surrogate of the U.S. Few think Americans will permit the Angolan situation to recur in their country.

The South Africans welcome U.S. involvement for two reasons. First, it has elevated South Africa's international status. Whatever happens, Kissinger's

meetings with Vorster have contributed to the Prime Minister's personal prestige, given a measure of respectability to South Africa, emphasized the country's strategic role in the continent, and provided evidence of its importance to the West, a theme Pretoria has promoted for years and has exploited domestically to the fullest. Secondly, Kissinger is widening Vorster's options, especially after the collapse of detente. U.S. efforts pick up where Vorster's left off, providing what is probably the last remaining avenue of peaceful settlement. If Kissinger succeeds, so much the better; if he fails, he has at least bought more time for South Africa and strengthened her bonds with the West in preparation for the final showdown. In brief, Vorster has everything to gain and nothing to lose.

Black Africans tend to view the Kissinger initiatives with mixed emotions. While hoping that he may contribute toward bringing about majority rule in Zimbabwe and Namibia, they nevertheless remain deeply skeptical of U.S. policies that might subvert the true objectives of black liberation movements and further exacerbate the conflict, as had happened in Angola. In particular, they resent the U.S. emphasis on combating foreign intervention, which they see as a sovereign prerogative that the U.S. has no right to oppose, and the corollary stress on a moderate black government in Zimbabwe and Namibia, which is interpreted as an arrogant attempt to introduce Cold War competition into Africa.

U.S. policy has traditionally underestimated the profound opposition of black Africa to the apartheid government and miscalculated the degree to which black Africa is prepared to react against that regime, a lesson which Angola should have demonstrated with unmistakable clarity. Black Africa sees U.S. policy priorities as being essentially negative: *against* foreign intervention, *against* Marxist regimes, *against* the use of violence, even if it used to attain justice. We should be stressing more postive objectives: *for* majority rule and self-determination, *for* economic growth and development, *for* African nationalism. Only recently in Kissinger's Lusaka and Boston speeches has a shift in this direction been discernable, but thus far it has been confined to rhetorical expressions with little concrete follow-through.

One good step has been made by bringing the four Front-Line states into consultations regarding the talks with South Africa, but this alone is not nearly an adequate demonstration of our support. The fundamental problem is that black Africans, for historical reasons, are intrinsically suspicious of the U.S. usurping their destiny, robbing them of a victory that they regard as rightly their own, not one to be placed on a scoreboard of East-West confrontations. Minimum malperceptions will be achieved only by seeing regional conflicts in regional terms, and aligning our own perceptions more closely with those of Africa.

With respect to South Africa, the U.S. is in a unique position to extract concessions from the government at a time when they need the U.S. most. We should press for clear-cut commitments from Pretoria to bring down the Smith government and to include SWAPO in meaningful negotiations toward Namibian independence. In addition, we must unequivocably define the limits of our involvement, taking pains to show that we view South Africa, as she view us, as instrumental to achieving specific objectives. This is absolutely necessary to show black Africa our fundamental commitment to African nationalism and to disabuse South Africans from misconceptions suggesting a wider alliance of interests or, as John Marcum described U.S.-South African relations, a "Confluence of thinking" that presages closer ties. One of the greater absurdities of U.S. policy in Angola flowing from Kissinger's secret diplomacy and covert operations was that black Africa saw the U.S. in tow with South Africa, while Pretoria bitterly criticised us for failure to live up to that accusation. Under no circumstances should we permit such widespread misreading of U.S. intentions to recur.

Events are occurring rapidly in southern Africa, reducing our options and our time for exercising meaningful influence. There are a number of specific gestures that we should have made long ago: repeal of the Byrd Amendment, closure of Rhodesian Information office, reversal of the ruling which permits U.S. companies in Namibia to receive tax credits for taxes paid to South Africa, the use of U.S. companies in South Africa for social and political change. But coming so late, these remain but symbolic acts, of little material impact on the larger

political and military realities that are now shaping the destiny of southern Africa.

Pretoria's international affairs revolve around a single objective: to make Africa safe for Afrikanerdom, a goal which stands in contradiction to the aspirations of African nationalism. Sooner or later, the U.S. will have to choose between these two. If the U.S. hestitates too long, our options in southern Africa may be reduced to the choice between total impotence and reluctant support of an indefensible system of minority rule, a trap that will negate any chance of American influence in a continent undergoing revolutionary transformations. Rhodesia and Namibia are preludes to the larger confrontation coming within South Africa itself. As long as white supremacy remains the key to South Africa's policies, the future presents an appalling spectacle. Eventually, Pretoria will be fighting a civil war and an international onslaught on its frontiers concurrently, a situation which no regime in history has yet survived. America's policy should not place a protracted process of peaceful change before the immediacy of demands for racial justice. It is only from justice that peace will follow, and not the reverse.

Senator CLARK. Very excellent statement.

Dr. Leonard Thompson, professor of history at Yale, coeditor of "The Oxford History of South Africa," and contributor of a number of journals on the subject, former professor at the University of Cape Town, a real scholar on Africa, who has appeared before this committee before and for whom I have the deepest respect. Would you proceed, Professor Thompson?

[Professor Thompson's biography follows:]

BIOGRAPHY OF LEONARD M. THOMPSON

Born.—Cranborne, Dorset, England. March 6, 1916.

Material Status.—Married 1940; two daughters, b. 1942 and 1945.

Citizenship.—British.

Domicile.—England 1916–25, 1937–46; South Africa 1926–37, 1946–61; United States 1961 ff.

Education.—Rhodes University: B.A. 1935, M.A. 1938, D.Litt. 1961; Oxford University: B.A. 1939, M.A. 1943.

Scholarships.—Otto Beit Scholar, 1935; Rhodes Scholar, 1937.

War service.—Royal Navy (Lieutenant R.N.V.R.) 1939–45.

Permanent Appointments.—University of Cape Town 1946–61: Senior Lecturer, Associate Professor, and Professor and Head of Department of History; U.C.L.A. 1961–68: Professor of History; Yale University 1968 ff.: Professor of History.

Temporary Appointments and Awards.—Visiting Commonwealth Professor, Duke University, Spring 1961; Fulbright-Hays Research Fellowship, 1964–65; Leverhulme Visiting Fellow, University of Sussex, 1968–69; Ford Foundation Grant for an international conference on Change in Contemporary South Africa, held at Seven Springs Farm Center, Mount Kisco, New York, April 7–12, 1974: co-sponsor Jeffrey Butler; Residency, Rockefeller Study and Conference Center, Bellagio, September 6–October 11, 1975.

Memberships.—American Historical Association, African Studies Association (U.S.A.), African Studies Association (U.K.), American Academy of Political and Social Science, South African Institute of Race Relations; Consultant, Foreign Area Fellowship Program (Africa) 1962–64, 1966–67; Member, Joint Committee of ACLS and SSRC (Africa), 1962–63; Director, African Studies Association, 1964–67; Member, Nominating Committee, American Historical Association, 1970–73.

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STATEMENT OF LEONARD THOMPSON, PROFESSOR OF HISTORY, YALE UNIVERSITY, NEW HAVEN, CONN.

Mr. THOMPSON. Thank you. I welcome this opportunity to be allowed to present evidence to your distinguished committee, sir. My paper contains a lot of data about the assignment you gave me to deal with: "Some social implications of the policy of Separate Development."

It is descriptive. It is based—and this point I must emphasize—it is based almost entirely on official South African data, many of them summarized most ably in the annual "Surveys" of the South African Institute of Race Relations.

I have been back in South Africa fairly recently, and I have continuously kept in touch with what is going on there since I migrated to this country in 1961. I would like now to try vividly to illustrate to Americans the realities of the policy of separate development by asking them to imagine the United States to be different demographically from what it is.

U.S./SOUTH AFRICAN DEMOGRAPHIC COMPARISON

Let us say that in the United States there are four aboriginal Indians for every white person. Let us say that these Indians have reservations that total one-eighth of the area of the United States. Let us say that these Indian reservations are the most underdeveloped parts of the country and that they are fragmented into 82 separate territorial units; that over half of the Indian population of the United States actually live at any given moment in these reservations; that the rest of the Indians are obliged mainly through economic necessity to go out from their one-eighth of the area of the United States to work in the rest of the country, which is described as white areas.

So we have these dependent entities, these dependent reservations. In the rest of the United States, these Indians, four times as numerous though they are as the whites, own no land. They may own no land. They live, if urban workers, in townships separate from those in which white people live.

They are educated, if they are educated, in separate schools. They have no bargaining role in industry at all; they do not figure as participants in the industrial conciliation process. They have no votes. They have no say in the election of the President of the United States or Members of the Senate or the House or any of the State governments.

Furthermore, the separate, compulsorily segregated institutions for Indians, though they are the vast majority of the inhabitants of the United States, are greatly inferior. Inferiority is prescribed by law and enforced by the police administering the law. The houses in which they live, if they are urban workers, are located several miles out of Washington, for example; they are really in the nature of military barracks in appearance and in reality.

The schools are very inferior in every respect. The medical services that they receive are very inferior in nearly every respect. The wages they receive are grossly inferior to those received by the white minority of the inhabitants of the United States.

There is an unwritten law that is universally observed throughout the United States, that no Indian shall give an order to any white American. And malnutrition is widespread among this Indian population.

The United States Government in this imaginary situation is now finding itself confronted by foreign criticism and by the beginnings of effective Indian resistance to white supremacy in the towns of the United States.

In response, the United States Government in its wisdom decides to declare that the Indian reservations are to become independent states, under their own governments; and that as a result of that, the Indian population, outnumbering the white as it does 4-to-1, will have no further claim to rights of any sort in the remaining seven-eighths of the United States. They must all become citizens of one or other of nine Indian states.

That, sir, is the policy of separate development, which in my paper I describe as a verbal conjuring trick. Consequently I believe that the preamble to my written evidence is a cautious, accurate, unemotional statement of reality in South Africa today.

South Africa is now the most extreme case in the world of the coexistence of freedom and unfreedom in one country: freedom for whites, unfreedom for blacks. South African society is to be distinguished—I make this point because an assertion to the contrary is often made—is to be distinguished from the most highly stratified contemporary societies in other parts of the world, because the line of division is both rigid and racial.

An African, a colored person, or an Asian has no prospect of moving into the free community, which alone participates in the making of important decisions.

A person's life prospects in South Africa are inexorably and immutably determined by his ancestry. Social services as well as employment opportunities and political rights are separate; for the most part they are also grossly unequal. The law itself prescribes racial inequality; the bureaucracy and the police, who have summary powers of arrest and detention, enforce it.

I now turn to my conclusions. In between, my paper contains a lot of data substantiating the statements I have made so far.

INTERNAL SITUATION

My conclusions briefly are as follows, dealing exclusively with the internal situations; the external has been covered most ably by the previous witness:

One: The South African Government's claim that its policy of separate development is leading to a humane and rational solution of South Africa's problems is patently absurd.

Two: Current events show that the Government can only maintain the system by force and that its capacity to do that is now doubtful.

Three: The Government is responding by making concessions that are perfectly compatible with the continuation of the essential features of its policy, and by trying to terminate resistance by identifying and silencing leaders of resistance.

Four: Even if the Government were to reach the conclusion that separate development is a barren policy, it would find it extremely difficult to persuade its own supporters in the electorate, who have been persistently indoctrinated by propaganda in their schools, newspapers, radio, and recently their television programs.

Five: The real opponents of the system include (*a*) the "illegitimate" internal opposition—illegitimate by South African norms—notably the leaders of the proscribed African National Congress, Pan-Africanist Congress and South Africa's Students Organization. Most of these are imprisoned or otherwise silenced. But the spirit of resistance has now spread widely among the younger generation of urban Africans and colored people, and it does not appear to be quenchable.

A brief interjection here. A curious and ironic boomerang effect of the Government's policy of separate education, especially at the university level, has been the rise of the South African Students Organization which, in turn, is clearly largely responsible—partly as organizers, partly in psychological and educational terms—for the new spirit of resistance among the young.

(*b*) Many members of the "legitimate" institutions in the subject populations; notably, leaders in the homelands governments, the colored and Indian councils, and the African urban councils.

(*c*) There are elements in the white population who realize that official policy is a failure and are also, in varying degrees, repelled by its inhumanity. They include some African-speaking people and some English-speaking people; notably, churchmen and other professionals, and certain organizations.

(*d*) Of course, committed exiles.

Six: These opponents of the system are fragmented. This, of course, is a running refrain one has in facing the contemporary problems of Namibia or Zimbabwe or South Africa. They are fragmented largely as a result of Government policies. But they do have in common a desire to eliminate the rigid, racially defined inequalities of the present system.

And then my final point: true statesmanship for members of these heterogeneous groups is to avoid the tragedy of Angola by cooperating in this mammoth task, to achieve the necessary transition without destroying the complex industrial economy that all South Africans depend upon for their livelihood.

Thank you, sir.

[Professor Thompson's prepared statement follows:]

PREPARED STATEMENT OF PROFESSOR LEONARD THOMPSON

SOME SOCIAL IMPLICATIONS OF THE POLICY OF SEPARATE DEVEVLOPMENT

South Africa is now the most extreme case in the world of the coexistence of freedom and unfreedom in one country: freedom for Whites, unfreedom for Blacks. South African society is to be distinguished from the most highly stratified contemporary societies in other parts of the world, because the line of division is both rigid and racial. An African, a Colored person, or an Asian has no prospect of moving into the free community, which alone participates in the making of important decisions. A person's life prospects in South Africa are inexorably and immutably determined by his ancestry. Social services as well as employment opportunities and political rights are separate; for the most part they are also grossly unequal. The law itself prescribes racial inequality; the bureaucracy and the police, who have summary powers of arrest and detention, enforce it.

The economic aspect

The essence of the South African government's policy of separate development is the plan to make the so-called Homelands into nine independent states for the nine so-called African nations of South Africa. If this plan were to succeed, every African in the present Republic would become a citizen of a Homeland, White people would form a clear majority of the citizens of residual South Africa, and all Africans who happen to be there would be foreigners with no claim to political rights.

When the last census was taken in 1970, Africans numbered fifteen millions and formed 70.2% of the population of South Africa. Of those fifteen millions, 29.3% were in so-called White urban areas, 24.3% in White farming areas, and 46.4% in African Homelands. Moreover, many of the seven millions listed as living in Homelands commuted daily to work in border industries in White areas.

The Homelands constitute one-eighth of the area of South Africa. They vary in size from 177 square miles to 14,494 square miles. They are fragmented: in 1972, the nine Homelands comprised 82 blocks of land, separated from each other by so-called White lands; all but one of the nine consisted of more than one block. Since then, a few of the smaller blocks, deemed to be so-called Black spots, have been transferred to Whites, and a few additions have been made to the larger blocks—process that has involved the forced removals of many thousands of Africans and very few Whites.

The Homelands are the territories that remained in the hands of Africans after they were subjected by Whites in the nineteenth century. They are overstocked with poor quality sheep, cattle, and goats. Their crops are of low yield and poor quality. Soil erosion is widespread. Transportation facilities are poor. They lack sgnificant mineral resources ,except for the Bophuta Tswana and Lebowa Homelands, where platinum and other minerals are present in exploitable quantities. They remain almost totally devoid of significant manufacturing industries, in spite of recent attempts by the South African government to promote them. Before the White conquest, the African inhabitants of South Africa were subsistence farmers. Now, the Homeland populations only survive by exporting to the White areas their sole sellable commodity—their labor. Dr. Francis Wilson, a South African economist, has summarized the situation in the Homelands as "one of acute poverty, alleviated to some degree by the movement, predominantly by men of working age, of oscillating migrants who go to the cities" (*Migrant Labour in South Africa*, Johannesburg, 1972, p. 104).

The more than eight million Africans who are in the White areas of South Africa at any given time have different types of relationships with the Homelands. Some were born in the White areas, have lived there all their lives, and have never set foot in a Homeland. They include most of the farm laborers, but also a considerable number of townsmen. Others have left the Homeland in which they were born with no intention of returning permanently, even though they may visit their friends and kinsmen in the Homeland from time to time. Others are migrant laborers, who work for Whites for a year or so at a time and return home in between such spells of work. This migrant category includes many industrial workers and practically all the mine workers. Those who are employed on the gold and diamond mines live for the duration of their contracts in compounds managed by the mining companies. The government does not allow the companies to provide accommodation for more than a minute proportion of their wives. Consequently, many African families are divided. The women, the children, and the aged men live permanently in the Homelands; the men spend most of their working lives on the mines or in manufacturing industries, with short periods of recuperation at home. In many Homeland districts, over half the men of working age are absent at a time. The social effects of this forced separation of families are disastrous. There are numerous broken marriages, and abnormal sexual practices are common in the mine compounds.

In this permanent and periodic exodus from the Homelands, the pull factor is as strong as the push factor. White South Africans have always used the services of Brown or Black workers. Today, Colored workers are a majority in the western part of the Cape Province, and Asians in some industries in Natal. Elsewhere, White farmers and industrialists and most White housewives are dependent on the services of African laborers.

The government tries to control the movements of Africans with a view to ensuring that employers have an adequate supply of African labor, but that

no Africans are present in the White areas unless they are working for Whites. In particular, it tries to curb the influx of Africans into the cities, except those who have jobs with White employers. This is done by a system of passes and labor bureaus. Every African aged sixteen or more is required to possess a reference book containing details of where he is permitted to be. He may not stay more than 72 hours in an urban area unless he or she has lived there continuously since birth, or has worked there continuously with one employer for at least ten years, or has lived there lawfully and continuously for fifteen years, or is the wife, unmarried daughter, or son under the age of eighteen of an African in one of the categories mentioned above and resides with him. Even so, Africans may be ordered out if they are deemed to be idle or undesirable. The bureaucracy takes immense pains to enforce this system. Each year more than half a million Africans are prosecuted under the complex of pass law.

Throughout the White areas that constitute 87.5% of the total area of the Republic, it is a fundamental principle that no Black person shall be in a position to give an order to any White person. For the most part, this principle is so firmly entrenched in South African custom that it does not require legal backing. Nevertheless, custom is buttressed by law where that is deemed necessary. Law has denied Africans skilled jobs in the gold-mining industry since 1911. A 1956 law empowers the government to reserve any particular type of work for members of a specified racial group, and the government has used this power in the clothing, footwear, building and other industries. During the recent years of rapid industrial growth, numerous Africans as well as Asian and Colored workers have necessarily been advanced to more skilled operations as a result of the shortage of White manpower. Frequently, this has been done by a process of job fragmentation: jobs previously regarded as skilled and performed by Whites have been broken down into several semi-skilled jobs which are then performed by Black workers. In such ways, the level of the industrial color bar has moved upwards, but the color bar itself remains intact.

There is an enormous gap between the incomes of White and Black South Africans. In 1973, the South African *Financial Mail* estimated that the average per capita incomes of the four official racial groups were:

White	R184
Asian	37
Colored	39
African	10

Africans earn most in the manufacturing industries. According to a sample survey conducted by the government's Department of Statistics, the average per capita monthly cash earnings in various industrial establishments in 1975 were:

White	R489
Asian	127
Colored	R141
African	102

Africans are less well paid in the public services. For example, the Department of Statistics estimated that in the first quarter of 1975 the average per capita monthly cash earnings of employees of the central government were:

White	R428
Asian	212
Colored	327
African	88

In the mining industries, Africans earn much less money. The Department of Mines has estimated that in 1974 the average per capita monthly cash earnings of workers on the gold mines were:

White	R561
Asian	191
Colored	133
African	46

African miners also receive free accommodation, food, fuel and medical attention, worth R22 a month according to a 1973 estimate made by the Chamber of Mines; but it has been shown by Dr. Francis Wilson that the fringe benefits received by White miners are worth much more than those received by Africans.

The current wages of domestic servants in the cities are about R3 a day for those who live out and R35 a month for those who reside on their employers' premises. The most depressed African workers in the country are the farm laborers. Their remuneration in cash and in kind varies immensely. African farm laborers in the Northern Transvaal are probably at the very bottom of the scale; in 1970, they are estimated to have received R5 to R8 plus a bag of corn meal a month, in addition to accommodation of a sort.

African wages have increased considerably during the last few years, and most of the increases are reflected in the figures given in the previous paragraph. Nevertheless, the increases have not greatly exceeded the rate of inflation, which is now running well above ten per cent a year; and even where African wages have increased by a higher percentage than White wages, the cash gap between the two sets has generally increased rather than decreased. Moreover, the unemployment rate is much higher among Africans than Whites, and this factor is now becoming even more pronounced as South Africa slides into a recession.

The wage figures should be read in conjunction with such cost of living indices as are available. The Johannesburg Chamber of Commerce estimates that the monthly budget required by an African family of five to achieve a so-called Minimum Living Level in Soweto, the large African township serving Johannesburg, was R118 in May 1975. This is similar to the estimate made by the Institute of Policy Research of the (White) University of Port Elizabeth, that in October 1975 the so-called Household Subsistence Level for an African family of six in the five major South African cities varied between R116 (East London) and R125 (Cape Town), with Johannesburg falling in between at nearly R120. Since there is only one wage-earner in most African families, this means that the vast majority of Africans fall short of these conservatively computed levels.

The continued coexistence of White wealth and African poverty in South Africa is closely connected with the coexistence of political freedom for Whites and political unfreedom for Africans. The inequalities in the basic educational system are described in the next section of this statement. There are also great disparities between the opportunities for vocational training of Whites and Africans. In the White areas, the government does not permit Africans to be indentured as apprentices; and in all of South Africa there are only thirteen trade schools and five technical sections attached to other schools for Africans, whereas Whites have access to 94 technical colleges, technical institutions and special schools. Modern legislation for the settlement of industrial disputes in South Africa date back to 1924. Under the current Industrial Conciliation Act, as amended, Industrial Councils are responsible for settling disputes and settling the terms of employment. They have wide powers of collective bargaining, covering everything from wages and working hours to ratios between classes of employees and fringe benefits. Their decisions are enforceable in the courts. These Industrial Councils consist of representatives of employers' organizations and of registered trade unions. The vital fact is that Africans are barred from membership of registered trade unions and thus cannot participate in the collective bargaining process. Consequently, Africans have been excluded from those mixed unions that previously admitted them; and, since their powers are negligible, in August 1975 there were only 24 African unions with a total membership of 60,000.

Since 1972, in response to the outbreak of African strikes in numerous areas, the government has promoted the creation, on the level of individual firms, of works committees elected by African workers, and liaison committees in which up to half the members are elected by the workers. It has also permitted members of works committees to attend Industrial Council meetings but without the right to vote; and, whereas previously it was unlawful for an African to strike under any circumstances, Africans may now strike under certain extremely rigorous conditions. In making these arrangements, it is clear that the government does not intend to pave the way for effective African participation in the industrial bargaining process, but rather to appease foreign criticism and at the same time to stifle the movement towards African trade unionism.

This section has touched on some of the features of an extremely complex socio-economic situation. One finds it difficult to avoid the conclusion that the essence of the South African government's policy of separate development—the plan to designate the nine Homelands as independent states and to deny all Africans citizenship status in the rest of the country—is a sort of verbal conjuring trick. In reality, the Homelands are not much more than dormitory areas for some

of the African inhabitants of the country who survive by working for Whites under grossly unequal conditions that are prescribed exclusively by Whites.

Education

The educational system is crucial in the structure of South African society. Its essential components are compulsory racial segregation, unequal allocation of resources, unequal services, and tight government control.

Laws prescribe rigorous racial segregation of students in the schools and universities. Not only are there separate institutions for Whites, Colored people, Asians and African, but so far as practicable Africans are divided into separate so-called national units. Even at the univesity level, Xhosa students may only attend Fort Hare University, Zulu and Swazi students the University of Zululand, and students of the Sotho and other "Bantu nations" the University of the North. There are a few partial exceptions at this level. The University of South Africa conducts correspondence courses for people of all races; Colored, Asian and African students are trained together in the only medical school for South Africans who are not White; and a few people who are not White are given special permission to attend White universities that are willing to admit them to study courses that are not offered in their ethnic universities—a concession that was granted to 53 Africans in 1974.

The contrast between the quality of the educational services for Whites and for Africans is remarkable. (Services for the Colored people and the Asians are in between those for the Whites and the Africans.) Education is compulsory for White children to the age of sixteen or the equivalent of the tenth grade; no education is compulsory for African children. At the time of the 1970 census, 51.8% of the African population over fifteen years old had had no schooling. Now, about 72% of the African children in the seven to fifteen year age groups are registered as pupils, but most of them receive a grossly inadequate education. The reason is largely financial. In the fiscal year 1973–4, expenditures from public funds amounted to over R462 millions for the school education of Whites and about R75 millions for African school education; and the cost to the taxpayer of the education of a White pupil varied between R387 in the Transvaal Province and R557 in Natal, while the cost to the taxpayer for the education of an African pupil was under R29—a differential of between thirteen and nineteen to one. White schools are completely free; African schools are not. Textbooks are free for White pupils, not for Africans. Most White school buildings are excellent; many African school buildings are no more than shacks. In African schools the pupil-teacher ratio is three times as large as in White schools—many African teachers have to cope with two sessions a day, for half the pupils in the morning and the other half in the afternoon. White teachers have had a thorough training; only about one African teacher in ten has the minimum qualifications demanded of a White teacher. Moreover, White teachers are better paid than those African teachers who do have similar qualifications.

Perhaps most significant of all is the fact that most African children who do go to school acquire no more than a bare functional literacy. In 1974, 65% of the Africans enrolled in South African schools were not beyond the equivalent of the third grade, another 29% were not beyond the seventh grade, and only 6% were in grades eight to twelve. Indeed, only 7,000 Africans—one fifth of one per cent of the Africans who were at school—were in the twelfth grade in 1974. In the universities in that year there were 68,608 White students and only 3,850 African students (with a further 26,981 Whites and 3,850 Africans taking correspondence courses of the University of South Africa).

It should also be noted that, in accordance with the official myth that Africans are temporary visitors in the White areas of the Republic, educational facilities for Africans are particularly inadequate in those areas. The three African universities are Homeland universities, remote from the urban centers; and of the secondary schools, 469 are in the Homelands and only 150 in the rest of the country.

Racial inequality was always a feature of education in South Africa; but until the present ruling party came into power in 1948 there were progressive tendencies that would have produced significant effects by now, if they had not been eliminated. Christian missions were operating numerous schools for Africans with financial aid from the government; in some of those schools Africans were receiving an excellent modern education. In addition, the University College of Fort Hare was a promising mission-oriented, government-aided institution, with African, Colored and Asian students, and the University of Cape Town and

the University of the Witwatersrand were admitting qualified students, regardless of race, including small but increasing numbers of Africans. The government put an end to these tendencies by the Bantu Education Act of 1954 and the so-called Extension of University Education Act and the University College of Fort Hare Transfer Act of 1959.

The government's purpose was made clear by Dr. H. F. Verwoerd, then Minister of Native Affairs, when he introduced the Bantu Education Act in Parliament. Bantu education, he said, is "of necessity" different from that of Europeans because it is based on different kinds of knowledge; it must prepare Africans for their "opportunities in life," which lie in the reserves and as migrant workers in White areas; and it must make them realize that they are not to have equal rights with Whites and that their development is to be confined within their own sphere.

Under the Bantu Education Act, all African school education is directly controlled by the central government; it is unlawful for anyone to conduct an African school unless it is approved and registered by the government; and nobody may teach in such a school who has not attended a government training college. Since then, the government has ceased to provide subsidies for mission schools, even if they obtain registration, and all the missions have withdrawn from African education except the Catholic Church, which continues to operate a few schools in the Homelands.

Under the University College of Fort Hare Transfer Act of 1959, the government assumed control of Fort Hare and made it an institution exclusively for Xhosa students. The Extension of University Education Act of the same year prohibits the other established universities from admitting students who are not White and it led to the creation of the separate institutions for Asian, Colored, Zulu-Swazi, and Sotho-Tswana-Venda-Tsonga students.

The three African universiites are located in rural areas and surrounded by fences. The Rectors (Presidents) and most of the professors and lecturers are White men, zealous supporters of the government's educational policy. If students wish to form a club or society, or to publish anything, they have to obtain the permission of the authorities, and nobody may visit their campuses without permission.

There has been continual dispute about the medium of instruction in African schools. According to the government, the vernacular African language is to be used as the sole medium throughout the primary grades, and in secondary schools teachers are meant to teach half the subjects through the medium of English and the other half through the medium of Afrikaans. This system is severely criticized on the grounds that it is divisive, because the several African vernaculars are not mutually intelligible; that it requires secondary scholars to spend far too much time on language instruction; and that an international language, English, not a parochial language, Afrikaans, is the lingua franca preferred by Africans. In 1964 the Transkei government made English the sole medium of instruction from the higher primary level onwards and other Homeland governments have followed suit. In the White areas, however, the South African government continued to insist on the use of the vernacular throughout the primary grades and on using Afrikaans equally with English in the secondary grades, until the Soweto crisis developed in 1976.

There is also much critcism of other aspects of the syllabuses and the methods of instruction. For example, South African history is generally presented from a partisan White point of view. Even at the university level, it is said that many lecturers read word for word notes supplied by the University of South Africa and there is practically no discussion. In particular, attempts to analyze the workings of South African society are cut off on the pretext that it is too controversial a subject to be discussed "scientifically."

For a time, it seemed that "Bantu Education" was producing the effects that the government desired. Teaching is virtually the only career in which Africans who have received a secondary education are able to apply their training. The government has identified and dismissed many teachers for failing to conform to official policy and until recently morale among the remainder was appallingly low. However, as White critics had predicted, university segregation has produced consequences that were not intended by its creators. African students have been exasperated by their experiences in the "tribal" universities. There have been numerous confrontations, leading to expulsions and closures. By the

early 1970s, African students were rejecting the norms of White supremacist society and creating a Black Consciousness movement, emphasizing Black dignity, Black power, and the unity of all the subject races—Asian and Colored as well as African. By 1976, these ideals had become widely disseminated among the younger teachers and thorugh them to their pupils, especially in the urban ghettos. Thus, the 1976 disturbances in the African townships are a boomerang effect from the forced application of an educational system of compulsory segregation and gross inequality.

Housing and Health

A similar patern of separation and inequality pervades every facet of life in South Africa. If one flies over a typical South African city, one sees a commercial and industrial center comparable with that of a modern city in the United States, ringed by suburbs containing the homes of the White community—many of them extremely luxurious estates. Further out, there are clearly demarcated areas that look like vast military barracks, with serried rows of close-packed, small standard houses: the Black townships. The city center and the White suburbs are clearly visible on a cloudless day; but the African townships are covered with a pall of smoke at all times, because they have virtually no electricity for heating or lighting.

To achieve this neat separation, the government has compelled many thousands of people to leave their previous homes nearer the city center where they work. In some cases, they had lived there for decades. Colored people occupied District Six near the center of Cape Town for two centuries and more, until they were recently forced to move several miles away to new townships on the dreary Cape flats.

The resultant hardships of urban members of the subordinate races are compounded by the fact that they, who can least afford it, have to travel many miles to their places of work. There is also an acute shortage of housing in the townships where they are obliged to live. Mrs. Helen Suzman, M. P., estimates that 17,225 African families, representing about 86,000 people, who were qualified to live in Soweto were on the waiting list for houses in 1975. Consequently, there is gross overcrowding in those houses that do exist; small though they are, most of them contain more than one family or individual sub-tenants.

As in other respects, Africans generally receive worse treatment than Colored and Asian people. Whereas local authorities are able to obtain subsidies for building houses in Colored and Asian townships, no such subsidies are available for housing for Africans. In addition, Africans live in a perpetual state of insecurity in the White areas. It is official policy to remove to the Homelands Africans who are regarded as "non-productive." These include the aged, the unfit, and widows, and any African who is deemed to be "undesirable." Since many such people have no homes or close relatives in the Homelands, the government has created a number of so-called resettlement townships there. The wretched conditions in those townships have been described by Father Cosmas Desmond, O.F.M., in *The Discarded People* [2nd edition, Johannesburg, n.d. (c. 1972)].

There is a glaring disparity between the health of the different racial groups in South Africa. Comprehensive statistics are not available for the country as a whole and are particularly deficient for Africans. However, the available information shows that by all criteria the Whites are a healthy and well-cared for population, while the Colored, Asians and especially the African populations have high rates of preventable diseases and early deaths due largely to nutritional deficiencies and infections.

The following table, derived from the annual report of the Johannesburg Medical Officer of Health, shows some of the differences between the White and the African populations of Johannesburg in 1968:

RATES FOR 1,000 OF POPULATION

	White	African
Infant mortality	19.41	101.11
Maternal mortality	.22	2.66
Tuberculosis incidence	.28	4.56
Tuberculosis death	.03	.36

These figures seem to be fairly representative of the continuing situation in the country as a whole. For example, according to government spokesmen, the incidence of tuberculosis per 1,000 was 0.181 for Whites and 2.791 for Africans in 1974. The principal deficiency diseases are kwashiorkor and marasmus (protein-calorie malnutrition). These ceased to be notifiable after 1966, in which year seven cases were reported among Whites and 9,765 among Africans. The actual African figure was, and is, certainly much higher, for most cases go unreported; it has been estimated that it was 65,000 in 1966. Another study concluded that in 1965 "at least 80% of school-going children from Bantu households in Pretoria suffer from malnutrition or undernutrition" (cited by J. V. D. Reid, "Malnutrition," in Peter Randall, editor, *Implications of Inequality*, Johannesburg, 1971, p. 35).

Conclusions

1. The South African government's claim that its policy of separate development is leading to a humane and rational solution of South Africa's problems is patently absurd.

2. Current events in Soweto and other Black townships, including Colored townships in the Cape peninsula, show that the government can only maintain the system by force and that its capacity to do that is now doubtful.

3. The government is responding by making concessions that are perfectly compatible with the continuation of the essential features of its policy, and by trying to terminate resistance by arresting all identifiable African, Colored and Asian leaders of resistance.

4. Even if the government were to reach the conclusion that separate development is a barren policy, it would be extremely difficult to persuade its own supporters in the electorate, who have been persistently indoctrinated by propaganda in their schools, their newspapers, and their radio and (since early 1976) their television programs.

5. The real opponents of the system include:

(*a*) The "illigitimate" internal opposition, notably the leaders of the proscribed African National Congress, Pan African Congress, South African Students Organization and Black Peoples Convention. Most of these are in prison or otherwise silenced. But the spirit of resistance has now spread widely among the younger generation of urban Africans and Colored people and it does not appear to be quenchable.

(*b*) Numerous members of the "legitimate" institutions in the subject populations, notably many leaders in the Homelands governments, the Colored and Indian Councils, and the African urban councils.

(*c*) Elements in the White population who realize that official policy is a failure and are also, in varying degrees, repelled by its inhumanity. They include *verligte* Afrikaans as well as English-speaking churchmen, jonurnalists, academies and other professionals, and organizations such as the Christian Institute, the Institute of Race Relations, the National Union of South African Students and the Black Sash.

(*d*) Committed exiles scattered throughout the world.

6. These opponents of the system are fragmented, largely as a result of the differential impact upon them of government policies. But they do have in common a desire to eliminate the rigid, racially defined inequalities of the present system.

7. True statesmanship for members of these heterogeneous groups is to cooperate in this mammoth task, to achieve the necessary transition without destroying the complex industrial economy that all South Africans depend upon for their livelihood.

Senator CLARK. Thank you very much.

COMMENDATION OF WITNESS

I ask Congressman Andy Young to come up at this time. I know that he has a schedule in the House of Representatives, so we will hear his testimony and then address questions to him, if that is all right with the committee, and go on with questioning the other panel members.

As I said earlier, I think no person in this country could speak as a witness with more authority or conviction than Congressman Andy

Young. His long association with the civil rights movement in this country, particularly with Dr. Martin Luther King, his knowledge and contacts in Africa, his study of that continent, qualify him to be a very outstanding witness. I would like to have him proceed in any way he thinks is appropriate, and then we will have questions.

Senator PERCY. Mr. Chairman, just to keep our welcome bipartisan, I would like to join in saying I have absolute undaunted admiration for Andrew Young. I think the guidance he is providing to the administration, whether they be Republican or Democratic, the executive branch of Government, is absolutely invaluable to this country and a great service to our country.

This is a pleasure, your being here this morning. I know you were downstairs for a hearing on unemployed youth. So you are being quite versatile today. We welcome you.

STATEMENT OF HON. ANDREW YOUNG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. YOUNG. Thank you, Mr. Chairman, Senator Percy, Senator Biden. Forgive me for not being here in time to hear the comments of the other distinguished members of this panel.

Let me say that I would like to talk not just about South Africa but return to the whole problem of southern Africa. I would like to talk about it from the perspective of the interests of the United States and how those can best be protected and preserved in southern Africa.

I think we have a choice now in southern Africa as to just which side we are going to be on. It looks to me as though there are possibly four sides.

There is a side of white supremacy and racism bordering on fascism—in fact, not bordering on fascism; in fact fascism, and growing worse every day. There is also a struggling independence movement of peoples in various countries that simply want to share in determinations of the destiny of their lands.

We do, and perhaps this is one of the reasons why it became such a current focus for us, we do also have the possible presence of Soviet intervention and influence, which, I think in order to be on their side, the only thing we have to do is nothing. That foresight probably is doing nothing, becoming a part of the kind of inevitable chaos and dislocation that will rage in that region because of forces that we helped to create.

I have said to this committee before that in no sense should the ferment in southern Africa be attributed to outside Soviet influence; but, rather, to the kind of spirit of freedom and the dignity of humankind which we have been the foremost exponents of verbally throughout the rest of the world.

We are now faced, I think, with trying to find something tactically and strategically to do in a situation where we have allowed our options to disintegrate drastically over the last 10 years. I almost approach this moment with more despair and confusion than at any time before; for I, for one, have always been an optimist about the possibilities of progress and a rational transition to majority rule in southern Africa.

Four years ago I thought it was going to be maybe 5 years in Mozambique and 10 years in South Africa. It ended up being 2 years in Mozambique and 3 years in South Africa.

I think that if we are honest in our portrayal and understanding of the situation, we will realize that the dominant force in the southern Africa scene is the movement amongst African people themselves for self-determination.

U.S. RECOGNITION, SUPPORT FOR SELF-DETERMINATION MOVEMENT

I would say our policies must begin with the recognition and support of those movements at the point where we begin to deny them.

I would go back then to the question of the recognition of the existing government in Angola and the beginning of support by this Nation for a stable, orderly government in Angola. And I feel that concerning the problems of South Africa and the problems of southern Africa, the only positive resources that we have there right now are the resources of black people themselves; that not only do our moral interests lie with them, but our economic interests lie with them, for the volume of trade with Nigeria alone is twice the volume of trade of South Africa and even the illegal trade of Rhodesia thrown in; that the future of investment potential and market availability and resource availability is so much greater in the rest of black Africa that we are now being forced to choose which side we are going to be on.

I would think that we can choose to be on the side of the forces of liberation and independence in southern Africa, and that in fact it is also in the best interest of the white minority for those forces to be supported; that the only thing that I see that can insure the destruction and bloodshed which we all fear in South Africa is a continued support and propping up of a government whose policies are leading only to bloodshed and destruction; that the alternative, starting with support of the government in Angola and the recognition of that government by our Government and the beginning of orderly relations with that government, would clearly declare us on the side of freedom and independence in southern Africa.

That would be read throughout southern Africa as a very positive move which is in everybody's best interests.

I think, following that, we would then be in a position through our relationships with Angola and with Zambia and with Tanzania and Mozambique, when those relationships are stable and positive relationships, we then will have in fact the bargaining chips to see to it that Rhodesia or Zimbabwe or Namibia or Southwest Africa undergo some rational transition.

Once we begin the process of orderly, rational transition in Namibia and Zimbabwe, I think the possibility of some reasonable survival of freedom and democracy throughout southern Africa, and even in South Africa, then becomes a possibility.

I think that is probably, as I see it, the limit of our governmental options, except insofar as our Government policies have contributed to a climate of positive investment in southern Africa.

U.S. POLICY OF PRIVATE INVESTMENT

I would think that regarding those policies, though they never were formally policies of this Government, there ought to be distinct steps

taken to say to the business community which conducts its own foreign policy in relationship to southern Africa that the interests of the United States of America are such that we can no longer give any support either by tax incentives or tax credits or any other kind of encouragement to the investment of funds and resources and especially technology in the white regime in South Africa.

Frankly, I think this is just good business, as well as good politics. Were it not for the support that the South African Government receives from United States and British banks, they would not be able to continue these policies.

The presence of the fluctuations in the gold market dropping from a high last year of $200 an ounce down to $103 an ounce, with $220 million lost in South Africa's balance of payments, the government revenues from gold have been reduced by more than $130 million in recent months is a clear case.

That certainly is not the kind of climate that American industry ought to be supporting and investing in. When we have problems getting American business to invest in New York City or in Washington, D.C., or in downtown Chicago, the thought of investing in Johannesburg is ridiculous. Any government policies which allow that to happen become equally as ridiculous.

The beginning, I think, of that kind of respectful relationship to the forces of freedom would also, I contend, give encouragement to the forces of freedom in South Africa, which I happen to believe are both black and white; that hard liners are in control because good people are doing nothing and feel as though there is no support for an accommodation to black majority rule.

Let me correct myself. I don't mean black majority rule. I think we know from majority rule that people can determine best those who represent them, and they may determine that those people need not be black.

But there are forces in South Africa that are prepared to work out a government that would include participation, if not immediately on a one-man-one-vote basis, certainly beginning to work toward a solution to the problems of exclusions of blacks, Asians and coloreds from the political and economic order.

From my own limited experience in movements in this country, I would say that what we see happening in the black townships of South Africa is very similar to the kind of spirit that we had in our own movement here in the 60s when nobody had to tell people in another place that the time for throwing off the chains is there; that there comes a time in a people's life when they will sing together, "Before I will be a slave, I will be buried in my grave."

I think that is what is now being sung by black people in South Africa and throughout southern Africa.

NONVIOLENT DEMONSTRATIONS

In South Africa, interestingly enough, it still is amazingly nonviolent. I think we should correct the record of our American press which tends to talk in terms of riots. In fact what is called in the press, riots, is really a peaceful demonstration by young people that are then fired upon by the police.

This morning's news accounts talk of demonstrators marching singing Onward Christian Soldiers with no weapons, and yet three people were reported killed. This is a police riot. This is not a violent uprising. This is a peaceful uprising on the part of freedom-loving people.

That is what this country has stood for throughout our 200-year history. If we back down off that commitment as it relates to southern Africa, I think we will be doing severe violence to our own commitment at home to maintain support of freedom-loving people.

Senator CLARK. Very well said. Let me just ask you, Congressman, two questions. Then I know others here will have questions.

KISSINGER/VORSTER TALKS

What is your own view of the Secretary of State's negotiations with Prime Minister Vorster and possibly the shuttle diplomacy concerning Namibia and Zimbabwe? Do you support that idea? If so, why? If not, why not?

Mr. YOUNG. I am afraid I do support that idea. I support that idea only because it is better than doing nothing. But it is so little and it is so late, I don't have much hope for that idea.

But, I think the Secretary had little or no understanding of the problems of Africa at all, least of all southern Africa. I support the idea only because it may bring into our State Department these last few months—if Senator Percy will forgive me—some sense of what is really going on there.

I count the conversations that Ambassador Schaufele had in Tanzania as probably being far more significant.

Senator CLARK. You mean in Tanzania today?

Mr. YOUNG. That is right. That is, the two things together may give us some sense of direction, some sense of what the realities are; and they are realities which we have tried to close our eyes to for the last decade.

I support it only to that extent. I don't know that anything can be done. I think Prime Minister Vorster came back and reassured his wing of the party that he had no intention of negotiating away any rights to black citizens. I think that so long as that hard-line approach is prevalent in South Africa, it is really going to be impossible to develop a kind of trust between South Africa and black Africa to have them participate in a negotiated settlement in Namibia and Zimbabwe.

So I don't think that South Africa's role is crucial in the settlement of the questions of Namibia and Zimbabwe at all. I think essentially those issues will be settled best without South African influence.

Attempts to involve them in the settlement of Rhodesia-Southwest Africa questions from their point of view are only to compromise that settlement and to bring about the possibilities of disallocations and upheavals that will continue turmoil in that area for years to come.

I would remind the chairman that it was the Organization of African Unity Committee, I guess, led by Julius Nyerere and Sir Seretse Khama and Joshua Nkomo, that did in fact negotiate a substantial transition in Mozambique at a time when South Africa was trying to interfere with a smooth change of command there from Portugal.

South Africa's role has to be seen as always a disruptive and destructive role which is not in the interest of the United States at all.

There may be one day when in South Africa forces will come to power in which we can participate. But those forces are not in power at present.

Working with Vorster is only to help stifle the true voices of freedom, black and white, in South Africa.

Senator CLARK. I do want to associate myself with your remarks about Angola. I think it is going to be particularly difficult to get any kind of solution in Namibia without a cooperative effort with Angola.

I think Mr. Nyerere and the other four frontline presidents were very wise to recognize that in inviting Mr. Neto for the weekend. I think you are absolutely right in saying we ought to recognize the government in Angola, and that it is going to be very unlikely that we get anything approaching a peaceful settlement in Namibia without that. I think we start that process by not vetoing Angola's entry into the United Nations when it comes up in the very near future.

U.S. INVESTMENTS IN SOUTH AFRICA

The second question I wanted to ask, it is not altogether clear to me from what you said earlier as to what your recommended policy would be with regard to investments in South Africa.

Are you saying that you would prefer to see no further American investments in South Africa; you prefer to try to discourage that policy either temporarily or permanently by denying all tax credits and other such things? Or do you take the position that those investments can be used usefully to try to change the nature of an apartheid society in South Africa?

Mr. YOUNG. At the risk of appearing vague—us folk in Georgia have problems like this—I would like to have it both ways. [Laughter.]

But I think this is a situation in which we have to do everything that is possible. I frankly am not very optimistic about this body on the whole question of tax credits. We may be able to do something on our side, in the House. But I don't know. We haven't been able to do much about taxes for Americans over there.

Senator CLARK. That is right. Neither have we.

Mr. YOUNG. So I guess the whole tax credit question is one that I don't see realistically as possible right now. At best we would be talking about a legislative strategy that could not possibly emerge until March or April of the coming year. I frankly think that is too long.

I think that because American investment has been so much in support of the evils of southern Africa, that they should be encouraged to use this time on their own to have an impact, an influence, on that government. If U.S. corporations didn't do anything but deal with the questions of torture and imprisonment of many of the legitimate leadership of black people in South Africa, that, for me, would be important. One of the criteria for the legitimacy of a government is whether or not it survives by torture.

That gets to be maybe an oversimplistic criteria at times. But it is one which I think when applied to South Africa would declare them not a legitimate government.

I think insofar as American influence can be used to give support and recognition for black leadership which is now imprisoned, which I

think when I testified at this subcommittee before I reminded the committee that these are perhaps the last generation of men and women in South Africa that were educated in the Judeo-Christian tradition, this would be helpful. In fact, if there is a rational solution to the problems of southern Africa, it is going to have to be worked out with those men who are now imprisoned or detained or now being destroyed.

The young leadership which is now emerging, I think if that leadership were given a chance to develop, then we could minimize the violence in southern Africa.

But as soon as leadership emerges, if it is imprisoned, what we are doing then by those kinds of policies is contributing to chaos, not establishing order. I think order can only come through some recognition of legitimate black leadership in southern Africa. I frankly think American business could have a great deal of influence on that possibility.

Senator CLARK. Thank you very much.

Senator Percy.

BENIGN NEGLECT POLICY

Senator PERCY. Congressman Young, I would have to reluctantly concur with your feeling that this country, this government, has had a policy of benign neglect toward Africa. It was true under Democratic administrations as well as Republican.

It is unfortunately mainly because of the intervention of Communist forces in Angola that suddenly we are alerted to the problem. In talking with the frontline black African presidents, I found they felt that we only move in when there is a threat of communism and that we are obsessed with that problem.

The hour and a half working breakfast that Senator Clark and I had this morning with Secretary Kissinger was one of a series of meetings that I have had with him over the past year or so that indicates to me that we have moved the problems of Africa right to the front burner. In his review, it is just as important, and more critical, than the Middle East. And certainly the use of American good offices in the Middle East—eagerly sought by the Arabs; eagerly sought by Israel—has helped to prevent, a fifth war.

Senator Clark and I have pledged to keep our foreign policy positions as bipartisan as possible in every area that we work together.

SOUTHERN AFRICAN PROBLEMS DISCUSSIONS WITH GOVERNOR CARTER

Have you discussed southern Africa and its problems with Governor Carter? That would not be an invasion of executive or legislative——

Mr. YOUNG. Not in the last 2 or 3 weeks.

Senator PERCY. But you have prior to that discussed in general the problems and your concerns about southern Africa.

Mr. YOUNG. Specifically, I think, very early, at the time of the Angola crisis, I shared with him some of the testimony from this committee and also some of the statements from the Congress about that whole question.

It is a situation that I think he brings a kind of instinctive understanding to because he knows very clearly two things. He knows the evils and dangers of racism, and he also knows the races can change.

Yet, I think that things are going so fast now that we are left with little maneuvering room, so long as the hard line policies are given any kind of support.

Senator PERCY. Taking into account the chances that movement is accelerating very rapidly, and I had the feeling when I was there a few months ago and even more so now chances of an all-out war being very great after the rainy season in November, anyone who contemplates being President of the United States would want to do everything they conceivably could to keep us moving and have our presence felt, if it can be.

CARTER SUPPORT FOR KISSINGER POLICY

Would you recommend to Governor Carter—say that the Secretary does leave early next week for southern Africa. Would you recommend that he support this policy of his going, taking into account the very low chance for achieving success in Rhodesia, Namibia and in South Africa's racial problems?

You have said you think we ought to take that risk. I admire you for having said that. You are absolutely right. Would you recommend to Governor Carter that he support that policy in a bipartisan sense?

Mr. YOUNG. I think the tradition of bipartisan foreign policy is very strong in the South. I think it will be a natural inclination.

Senator PERCY. I can remember southern Senators, Democrats, who supported President Nixon a lot more than some northern industrial Republicans that I can think of.

Mr. YOUNG. The reason I answered that way is that I don't want the record to show that I presume to be an advisor, you know.

Senator PERCY. I think if I was a political advisor, if asked about the Secretary going, as a political advisor I would say, "Don't go." I think it would help if we closed our ranks on this issue and said, "Look, it is in everybody's interest that we now exert every last effort we can to avoid the violence and bloodshed we can perceive coming if we don't do something."

Mr. YOUNG. Let me say, as I have talked with some of the foreign policy staff in the Carter campaign, this seems to be the spirit in which they are operating.

CARTER AFRICAN ADVISORY GROUP

Senator PERCY. Would Brzezinski be one of the principal advisors in this area? Is there someone else you know of in the Carter advisory group that is key on Africa?

Mr. YOUNG. I think the people who are on the scene in a staff capacity on a day-by-day basis are Tony Lake and Dick Holbrook. Tony Lake, especially I think, has been actively concerned and familiar with this area. I think he is getting good advice I don't know where all he is getting it from.

Senator CLARK. Let me say you are far too modest. I was with Governor Carter 3 weeks ago talking about southern Africa. He advised me you were his principal advisor on South Africa.

Senator BIDEN. They are a big help, aren't they? [Laughter.]

Senator PERCY. That is why I am pressing, in a sense. I didn't want to say that. But I just think you would have an immense influence. I really do. I can't help but believe that this is a crucial time. Today is a very important day I think in the decision process.

FRONT-LINE PRESIDENTS' VIEWS OF AMERICAN PRESENCE

Could I ask this question of you: You know the presidents of all these black front-line countries now. Is it your judgment as it is mine that they really would today welcome American presence?

It is hard for them to say it openly and outright and say they are looking for help. But, on the other hand, I got the signals clear and loud that by gosh they want to avoid violence. They don't want massive Communist forces coming in and arms brought in. As one of them said to me, "We can see Eastern Europe, and we are not about to give up colonialism on one side from European powers and accept it from someone else at a worse kind of colonialism. But faced with the problem and needing help, we may take the risk and have to take the risk."

Would you say that there would be a receptivity to the American presence and the Secretary of State going out there, from your knowledge?

Mr. YOUNG. I would say that these countries welcome technical assistance, economic assistance. And their own self-interest and the survival of their government depends on some kind of stability in this region.

Zambia particularly has paid a very, very heavy price for having been a land-locked country surrounded by nations in turmoil. Their own economic difficulties are almost directly related to the problems of Angola and Rhodesia. Their people also are anxious to see their nations develop.

They see us basically as a resource for development, not for war. I think that their preference is for rational, orderly development, and they would welcome any support.

In fact, they have on many occasions rejected assistance from the Soviet Union when there was no other alternative. I don't think they would welcome any covert operations in and around the area by our intelligence apparatus.

I do think that any open and above-board development assistance, educational programs, health programs, are always welcome. We have probably got a chance to work in Africa now much more because of the kinds of humanitarian aid which we have granted through the years. Even when we had bad policies our humanitarian aid programs have been for the most part very well received and very well administered.

Senator PERCY. All four front-line presidents told me that they looked upon Prime Minister Vorster and South Africa as the key to any chance for peaceful resolution in Rhodesia. They had a higher regard for Mr. Vorster's political leverage and the possibility of it being used than I thought they would have.

When I talked to Congressman Diggs before going to southern Africa a few months ago, he urged that I go to South Africa. He urged that I go, over the strong protests of the State Department, to Namibia, and I did. And I was glad that I ignored their advice and went.

KISSINGER VISIT TO SOUTH AFRICA

I wonder whether you would think it would be wise, if it appears as though there is a receptivity by the front-line black African countries in southern Africa, for the American presence in a negotiating process, and our good offices to be used, would it be wise for Secretary Kissinger to go to South Africa while he is in that area? Is there any reason you would see that he shouldn't go?

Mr. YOUNG. Yes; I do. I would say there ought to be certain conditions under which he would go.

Senator PERCY. I think that would be obvious.

Mr. YOUNG. I would say he should not go without an opportunity to at least talk with black leadership.

Senator PERCY. Right.

Mr. YOUNG. And that would include not only the leaders of the homelands but people who are right now unjustly imprisoned or detained. I think it is very hard to associate yourself with the torturing government without being considered one of the torturers.

I would be very reluctant—I happen to disagree, maybe with the front-line African leaders, and I don't know whether they would still feel that way today. I would say I had great hopes for Vorster, I guess 3 months ago, 2 or 3 months ago when I was here at this committee. But the responses within South Africa have greatly diminished those hopes.

The people of South Africa themselves are saying that you can't negotiate freedom piecemeal and deal with Rhodesia and Namibia and then get around to us 5 years from now.

That means that it is very difficult for the Secretary to identify himself with the Vorster government.

Senator PERCY. I agree with that. But again, it depends on what commitments; and what I think both Senator Clark and I believe very strongly, he would have to be assured he could meet with the black leadership, whether they are in jail or not. He would have to be able to meet with them and get a balanced picture there.

Senator CLARK. Black urban leadership in Soweto and places of that kind, not just leadership.

INFLUENCE WITH SENATOR ALLEN

Senator PERCY. That is right. Finally, I would like to ask, just between the two of us, do you have any influence with a fellow southern Democrat, Jim Allen, Senator Allen?

Mr. YOUNG. I sure don't. [Laughter.]

Senator CLARK. You are not alone in that respect.

Senator PERCY. Yes. We were hoping someone would have. There is only one influence we have, and that is 60 percent of the voting Senators on the floor at the time we vote cloture.

ECONOMIC ASSISTANCE FOR INDEPENDENT SOUTHERN AFRICAN NATIONS

But you made a statement which I think he would be responsive to. I happen to agree with it; that to do nothing now is to play right into the hands of certainly Communist nations and the Soviet Union.

Take, for example, the case of Mozambique, a Marxist society, we admit that; but at great cost to themselves, they have closed their borders. It cost them a great deal in trade opportunities by closing their Rhodesian border. The Secretary has asked for $11.5 million or $12 million——

Senator CLARK. $12.5 million.

Senator PERCY [continuing]. $12.5 million to assist them to make that up. They can easily get that from the Soviet Union. They can get it from Cuba. They can get it from a lot of places. But I think they really would like to deal with us. And now that we have this horrible Byrd amendment, I think we should find a way to balance it by providing a little aid to people in Mozambique.

Would you agree that having a relationship with them, an economic assistance program, is the best way to keep nations like Mozambique independent of Communist influence, which they don't want to become dependent upon?

Mr. YOUNG. I think, Senator Percy, you are very right in your analysis. I would say that it may be helpful to point out to some of our colleagues that the alternative is the presence of a Soviet naval base in Mozambique, which they have rejected; and by denying them aid, we are forcing them in a direction that they really don't want to move.

I have always been very hesitant about labeling governments Marxist even. I think what you have is a group of young men who wanted to run their own countries, and there was no other ideology that gave them a language for taking charge of their own governments.

In almost every instance once they have taken control, they have established what we would call mixed economies, and they have all carved large areas for private sector involvement. They are probably much more leaning in the direction of Sweden than of the Soviet Union or China. And so I think by ignoring them we force them in a direction that they really are trying to resist.

Senator PERCY. I think that clarification is extraordinarily important. I would like to draw you a little bit into the economic leverage we have on South Africa. My time is up, and I yield to Senator Biden.

Senator BIDEN. Thank you very much.

Congressman, now your charge has been made clear. All you have to do is make sure that the future President's foreign policy is as stated by you; and, second, that you bring Jim Allen under control. I wish you luck in both endeavors.

PRESSURE BY U.S. BLACKS TO INFLUENCE LEGISLATIVE, ADMINISTRATIVE ACTIONS

I would like to ask you one question that doens't relate directly to the domestic situation in any southern African country but the domestic situation here in the United States.

In the last 2 days we have been discussing the question of investment in South Africa in particular and the role of the United States. You

indicate there has been in part intransigence in this body and the Congress in the whole deal with tax incentives, foreign investments, and the entire tax structure.

You have indicated that you would like to somehow encourage U.S. corporations to take some initiatives, which obviously they could, but I don't see any indication that they are likely to, short of some legislative direction.

It seems to me that we are assuming that investment and tax treatment is one of the tools that can be used by us to play a positive role in that area; and that somehow there has to be pressure brought to bear domestically in the United States to have that accomplished legislatively and/or administratively.

I don't see any evidence of that pressure being felt in the U.S. Senate, for example, with the Byrd amendment, as a perfect example.

I am wondering whether or not there is any hope or possibility of any domestic pressure coming from the black community in this country in that direction. The civil rights movement has been a powerful, viable force in areas beyond civil rights specifically and social legislation generally.

The black community has been, I think, a very powerful, influential force in the area of domestic legislation beyond civil rights legislation.

I am wondering whether or not it is your opinion that there is any real feel on the part of black leadership of this country for the implications of our nonaction or continued present actions, both official and unofficial, in southern Africa, whether they have any grasp of that yet.

Mr. YOUNG. Let me say it is growing very, very rapidly; so rapidly that following my last appearance before this committee, I was picketed in my own district for being far too moderate on the question of southern Africa.

It is the kind of ferment that is not organized, very much like the ferment in South Africa itself. I think right now the black community feels it is in its own struggle for survival in terms of unemployment and things which are necessary for continued economic subsistence.

But I would think that once the election is behind us, even before Congress would have an opportunity to reconvene, that it might very well be that the months of November and December would be months of intense focus on African affairs domestically, especially since, as Senator Percy points out, this will probably coincide with escalated activity in the Rhodesian and possibly even the South African situation.

Senator BIDEN. The reason why I ask that is it seems to me it could be suggested, with some degree of legitimacy, that a lack of understanding or a lack of sympathy for the emerging black power structure in southern Africa on the part of elected white politicians reflects a lack of sympathy or a lack of understanding of the whole race question; not just in foreign policy terms but in domestic terms.

I would hope that the black leadership of this country would be able to begin to draw that nexus. I think once it does, and if it does, and I don't think it is unfair to do it, there will be a growing awareness on the part of many of our friends here in this country who are deeply committed to the civil rights movement—white politicians who have been voting on the right side of that issue in my opinion for some time—who really do not feel yet the significance of the southern African question that is facing us. I really mean that.

Mr. YOUNG. I think the Congressional Black Caucus has been reluctant to racialize these questions because we see them as really essentially questions of the national interests of all Americans.

Senator BIDEN. I agree that is what it is.

Mr. YOUNG. I guess we have tried not to moralize about them. Maybe in doing that we have not stirred up our own constituencies.

Senator BIDEN. Quite bluntly, I am not suggesting it come from the elected black officials. I don't think it can, quite frankly. I think it can be spurred by the nonelected black leadership in this country in the same way that it does on many, many other issues.

But again, I don't see that as a key. I just offer that as a possible way in which we start to turn our focus in this country and in this Congress toward that question.

SENSE OF URGENCY

One last question. I know you have other committee hearings to go to. I apologize for keeping you so long.

We had a series of witnesses yesterday that I found, not being involved in this question as long as either Senator Clark or Senator Percy, to be particularly instructive to me. One of the questions I asked the panel of three persons, whom I think everyone agreed were very well informed and had differing points of view, but all seemed to agree, and I would like you to address this, if you think there is any relationship, to your experience in the civil rights movement domestically in terms of the movements of people's desire for freedom and how that comes about and when it coalesces? There would seem to be agreement that there isn't that feeling of a sense of urgency on the part of either the white leadership in South Africa or, more particularly, the average white of the South African population.

You talked with the sense of urgency. The witnesses this morning talk with a sense of urgency. Senator Percy and Senator Clark have been talking about a sense of urgency. It is my feeling that until that sense of urgency is felt, there is little likelihood of movement domestically in that country.

Now, first, is that true? Does that sense of urgency have to exist on the part of the white population for it to begin to move? If so, then, second, do you think there is a sense of urgency based on your knowledge and information from people in southern Africa relating events to you?

Mr. YOUNG. I would think there is a sense of urgency. I would think the best indication of that is the fact the Vorster government is becoming increasingly concerned with the outflow of capital and that people are shifting their funds from South Africa through multinational corporations. And the flooding out of capital, I would say, indicates what you are seeing is a very thin veneer. But I think that people there are scared to death and have been for a long, long time. But they'd rather run than fight. That is part of the financial community.

I think American business may be most guilty in this; exploiting South Africa, and when the going gets rough, say, "Well, we made all the money we can make there; let's move on boys," and taking no social responsibility for the violence and bloodshed that accrues as a result of their policies or lack of policies.

So I think that you are probably right in that in times of this kind of tension, especially geographically the way Soweto is 16 miles outside Johannesburg, that you are not feeling it. But I think it was just a couple of days ago in Cape Town when Vorster's wife was the victim of tear gas. Some of the New Zealand rugby players found themselves there. There is probably no more humiliating and unpleasant an experience in life than tear gas. It is going to be communicated.

I think that possibly—if I can go back to your former question—there is possibly some things an administration can do short of legislative action. I think our corporations have gotten us into big trouble abroad. I give them the benefit of the doubt that in many instances they didn't know what they were doing and acted without sound guidance.

I have been asking around in some of our embassies and the State Department whether or not in State or in Commerce there is any orientation on the countries and American policies on the countries for plant managers and executives before they assume their management roles.

Some of the plant managers I have met in other countries I find incredibly naive about the politics of the countries in which they are operating.

We have recently had a situation where another Georgia corporation, you know, was in some way responsible for jeopardizing three governments, at least. Since I know most of the people involved—it borders right on my district—I know they didn't mean to do any harm. But it is too late for that now.

I think there has got to be some kind of policy that at least gives some orientation on the internal politics and American policy toward countries before we allow—I don't know whether we can stop it. But at least we ought to offer some kind of preparation and orientation for business executives going abroad.

Senator CLARK. I will just chip in before Joe continues his questions to say that I think Congressman Young's point is well taken in terms of orientation, some kind of regulation among the multinational corporations.

The two most recent examples, one of which I don't want to prejudge before our hearings later this month, is the obvious operation of Gulf Oil in Angola. Statements are, we are putting money covertly on the other side of that operation——

Mr. YOUNG. I think maybe they were ahead of the State Department.

Senator CLARK. They may have been. I am not going to say who was right or wrong. We are going to be discussing Mobil Oil's activities in terms of establishing subsidiaries in South Africa to send petroleum to Rhodesia, which may or may not have been in violation either of the law or our foreign policy intentions. It seems to be equally important. We will be looking at that later.

ABSENCE OF HOSTILITY BETWEEN BLACKS AND WHITES

Senator BIDEN. One of the witnesses said yesterday, and I hope I get the exact phrase—if not, maybe staff recalls it and they can correct me—that I believe it was a psychologist or psychiatrist who recently

returned from South Africa and commented on the remarkable absence of hostility. I think the phrase was "remarkable absence of hostility between blacks and whites."

Do you in your experience or your knowledge, speaking with people from that area of the world, do you think there is an absence of hostility there? It was made to sound like it.

Mr. YOUNG. I think there is. That is one of the few things that gives me any hope; that in spite of it all, and even on the part of some of the people who have done the most suffering, there is an amazing lack of bitterness.

Robert Sobukwe who was imprisoned for 9½ years, overwhelmed me with his ability to be objective and rational and coherent about a situation that has almost destroyed him and his family and many of his loved ones. Yet, he is able to rise above it personally by tremendous human resources and to be philosophical about it, with little or no bitterness. I think that is the hope of any future at all of this area in in Africa.

Senator BIDEN. Thank you very much.

Senator CLARK. Thank you very much, Congressman Young. We appreciate your attendance here and your testimony.

We are going to start now on the 10-minute rule.

PRESENT ECONOMIC SITUATION

Mr. Stern, briefly put, what is the succinct answer to your testimony in terms of the present economic situation in South Africa?

Mr. STERN. As you know, it is very difficult to separate economic decisions from social and political decisions. But to the extent that it is possible to do that initially, I think it is important as it is in, say, Japan. Relative to our own position, where it accounts for something less than 10 percent of our total gross national product, it is far more important in percentage there.

Senator CLARK. Trade is far more important to South Africans than to us?

Mr. STERN. Yes; it is. Second, the domestic and international policies that are so closely related are related primarily because of the gold situation and other minerals that are exported. Their imports are also important.

The problems they have really are caused by the increase in the price of gold that took place about 1971 and was not followed by an increase in the value of the rand at that time.

The problem was that the money supply was permitted to increase by some 60 percent over a period of less than 3 years which fueled a very high rate of inflation and led to huge balance of payments deficits.

The government is understandably reluctant to reduce the rate of growth in the money supply dramatically which would cause a severe deflationary pressure, especially on the black population. And the problem is exacerbated by controls that are being put on the economy so as to circumvent the obvious cures that are necessary for the problems.

U.S. RESPONSES TO FOREIGN TRADE DEFICIENCIES

Senator CLARK. Then if we have a situation here where they are very dependent upon foreign trade, which continues to follow a for-

eign policy, has very large deficits, what has been the American response to it in terms of American investment or American loans? Have we come to their assistance, so to speak, or discouraged it? What do you see as the American response to that?

Mr. STERN. I think that it is important for me at this stage to be very careful in focusing my attention on the things I know most about, and things I know least about to cast aside.

I go to South Africa three times a year. I was there in July. I think the experience I have had indicates to me very much what was said before by Congressman Young; that there is an absence of hostility there.

It is terribly important for the black population that the rate of economic growth be maintained at a fairly high level. That is, almost any policies that would be suggested, implemented, that would reduce the rate of growth for an extended period of time would almost certainly act at our disadvantage in our country and to the advantage of the Soviet Union.

As far as loans are concerned, I couldn't give you dollar figures. I do know that the American presence in South Africa is far less important than we are led to believe.

The major reason for it has been the success of the country internally in generating a very high standard of living. The loans that have been made recently have been of a government nature in order to balance the deficit that they have had on their current account. Only short and medium term credits have been available to them. As they fall due, the crisis gets worse for the government.

But as far as U.S. investment and the like, my impression is that it is far less important than we are led to believe.

Senator CLARK. If my figures are right, it is about 14 percent of the total foreign investment, that exists in South Africa.

Mr. STERN. Yes. But the thing we have to focus on is the rate of growth in that in terms of its impact on the economy.

The impact, as I say, is far less than we are led to believe.

I should go further, perhaps, and suggest that whenever I visit a foreign country, I am amazed at the difference of impression I get when I am there relative to what I read in our own press. Even international news magazines we can obtain paint a very different picture than you see there. There is an almost total absence of the types of adjectives that are being used here in some regards.

U.S. BANK LOANS

Senator CLARK. Most specifically, what I had reference to was your own judgment; and my question really focused on whether or not you believe American banks in particular are responding to South Africa's needs by renewing loans and increasing their participation in the loans there. What is your own feeling about that?

Mr. STERN. My feeling is that the American presence is very small. The presence from foreign banks is primarily the UK [United Kingdom] in the Standed Bank and the Barclays Bank. Those are the two major outside sources of credit in the country itself.

But the primary source of the funds that are being used to make loans internally are from the deposits generated internally, not from outside sources.

Senator CLARK. I understand that. But I was wondering, this last year where the deficit has grown, the price of gold has gone down, whether American banks in this recent year have increased their participation, increased their loans, renewed loans, and so forth, at a faster rate than they would have in the past, or at a slower rate.

Mr. STERN. No. The rate of increase has been insignificant.

Senator CLARK. It has been increasing, but it has been insignificant.

Mr. STERN. Yes. As I say, the primary source has been through international governments to lend funds to the government to support the balance-of-payments problem they have.

Incidentally, may I add that the South African Government could do itself a big favor, in my view, by simply permitting the value of the rand to sink so that it would be a self-corrective mechanism that is too long absent.

Senator CLARK. But now do you see any response from American banks loaning in South Africa? Do you see their policies in any way affected by the uprisings of the last 3 months? Are they going to be affected by that? If so, in what way?

Mr. STERN. I would suggest to the same extent business in general is affected by increased uncertainty, there is considerable difficulty on the part of large industrial companies in South Africa to obtain long-term credit on the open market there, as is understandable.

They would like, I am sure, to attempt to obtain it overseas. But it is very difficult for them to do even that because of the uncertainty attached to the value of the rand. That is, they run a very large risk if the value of the rand declines and they have to pay back in more expensive currencies.

SOUTH AFRICAN ECONOMIC ABILITY

Senator CLARK. The last question I had at the moment is this: The South African Government finds itself in a difficult position with these uprisings, and the general thought is that they are going to try to respond to this by significant additional expenditures in social areas—housing and so forth, perhaps in the urban ghetto, the situation in Soweto and so forth—and that they probably will also want to vastly increase expenditures in the homelands to try to push the separate policy forward with all deliberate speed.

As you look at their economy, do they have the economic ability to put enormous new investment in either of those areas to bring about greater change?

Mr. STERN. Two points. No. 1, they have been doing it for the last 5 or 6 years.

Senator CLARK. I am talking about the vastly accelerating rate.

Mr. STERN. It has been accelerating, as I said, for the last several years. In part it has exacerbated the inflationary problem they have.

However, the point I think is most crucial to the question is the fraction of the total output of the country that is accounted for by government spending. In our country, for example, total spending by government accounts for close to 40 percent of our national income. It is not quite that high there.

The pressure on them to reduce the degree of nondefense spending is being somewhat overshadowed by the need to increase defense spending. That in some small sense reminds me of the Israeli situation.

Senator CLARK. Your answer is that they could conceivably vastly increase their expenditure, though?

Mr. STERN. Yes, sir.

Senator CLARK. Without greatly harming their economy?

Mr. STERN. Again the question is what they do simultaneously. My belief is if they were to reduce the degree to which there are credit controls, there are price controls, there are capital controls and the like, the ability of government then to finance these other items would be vastly facilitated.

Senator CLARK. Thank you.

SWAPO SUPPORT IN NAMIBIA

Dr. Baker, what is the degree of support that SWAPO enjoys in Namibia, in your judgment?

Mrs. BAKER. It is really very difficult to determine and put in precise figures. As you said, there is a lot of debate over it.

In Namibia, if you talk to the heads of delegations of the different ethnic groups and the heads of political parties, other political parties which have emerged in Namibia, it becomes quite clear that SWAPO is not nearly as popular within Namibia as it claims.

It is erroneous to say it is the sole representative of the Namibian people, though it is in a strong diplomatic position with this claim. They are, however, extremely strong among the Owambos.

The important point where this is concerned is that SWAPO isn't only strong among the Owambos who live at the northern border who are mainly rural in their orientation. There is a significant population of Owambos who live in Windhoek itself who are migrant laborers and who are really the strongest supporters of SWAPO, workers in the urban environment.

SWAPO has, in addition, begun forming alliances with other like-minded groups, other like-minded parties, within Namibia. How important that is, it is very difficult to say. But its presence within Owamboland, and among Owambos who are in urban areas, is very, very important.

This is very significant in terms of estimating its role in the future government.

Senator CLARK. We will come back with that the next round.

Senator Percy?

CHASE FINANCIAL POLICY

Senator PERCY. Mr. Chairman, for the record, I would like Mr. Stern to clarify what the Chase financial policy is that you are the president of. Is it the profit end of the bank?

Mr. STERN. If it were the profit end of the bank, we would be in big trouble. The Chase financial policy represents the financial counseling arm of the bank worldwide. We advise customers and prospects on matters dealing primarily with corporate finance.

Senator PERCY. You have dealt with Africa for how long?

Mr. STERN. About 3 years.

ROCKEFELLER FOUNDATION INVOLVEMENT IN AFRICA AFFAIRS

Senator PERCY. Mrs. Baker, could you describe how long the Rockefeller Foundation has been involved in African affairs?

Mrs. BAKER. No, I couldn't.

Senator PERCY. Not personally, but from what you know of the Rockefeller Foundation. How long has it been? You know they have been in population control for well over 30 years, 20 years before the Federal Government ever got into it.

Mrs. BAKER. I couldn't give you a precise date. I am not that familiar with it.

Senator PERCY. But a number of years.

Mrs. BAKER. A number of years. It is maybe through their technical aid, consulting programs, management training programs, which I know they have. It is a very diverse program. The one that I am on is simply a research grant to examine the political issues in southern Africa.

U.S. UNIVERSITIES CONCENTRATION ON AFRICAN PROBLEMS

Senator PERCY. Dr. Thompson, Northwestern University is a mile from my home. I know their division of African studies is one of the finest in the world. They have been deeply involved for many years.

How long have American universities been concentrating on problems of Africa and devoting scholarships and attention to Africa?

Mr. THOMPSON. Black American colleges have been interested in Africa for many decades, but the first systematic and significant study in the American mainstream was indeed done in Northwestern under Professor Hershovits. That dates back certainly into the forties.

But the real blooming of American intellectual interest in Africa came in the late fifties and early sixties, when many African countries were about to become independent, some of them were already independent and—forgive me for making an overstatement—Americans knew nothing about them.

Senator PERCY. I make the point, and I am glad you commented as you have that certainly from the standpoint of the business community, financial community, academic foundations, when African leaders say to me and said to me we are Johnny-come-latelies, "Your country has not really been interested in Africa," I say:

> That is not true. Our country in not just Government. The Government provides all sorts of incentives for foundations and universities. We have tax deductibility. It is another way of our doing it. We have been involved in African affairs for a long, long time. We were in the forefront of African countries gaining their independence in the first place. So we are not Johnny-come-latelies.

I think most of them accepted that argument. It is only the question of the urgency the State Department put on it. That is not the whole country. Obviously, they generally do deal in crises. Now we have a crisis so it is on the front burner. But the country as such has been interested in Africa for a long time.

I wanted to make that point there because I tried to make it as I have gone through various parts of Africa through the years.

HOMELANDS INDEPENDENCE

I wondered if we could talk about your comments, Dr. Thompson, about the homelands. What you said I think is very accurate. The portrayal and comparisons you made I think would stand up.

But I think if I were to be the advocate on the other side—I won't say the devil's advocate; in this case I will speak on behalf of those that

I have talked with, such as the foundation heads, John Marois and so forth in South Africa—they look upon the homelands in quite a different way.

Just as recently as yesterday an article in the New York Times described Transkei as preparing for independence on October 26. Let me read one paragraph.

The new country carved out of South Africa will cover 14,300 square miles, making it nearly as large as Denmark. It will have a population of 3 million, comparable to that of Israel. Its terrains, as beautiful as any of Africa, will be enhanced by a 155-mile coastline on the Indian Ocean. Compared with many countries of the Third World, its economic potential will be strong.

This is the first independent nation, homeland, that South Africa has put forward. I would feel, in the interest of fairness, if someone were to interrogate you on your testimony, they would just take the New York Times of yesterday and say, "Look, what is wrong with this?"

Would any of you want to respond to that? Obviously they put the very best forward. The article goes on to say how ostracized they would be by the whole world. They would have one ambassador, and that would be a South African. That is the only country that would allow it.

Would you want to comment from the standpoint of the argument that South Africans make—"Look, we have devised a unique system that gives them this independence, and they deserve to be nations more than a lot of countries that are now members of the U.N."

Mr. THOMPSON. I read the article. I was astonished. I think that anyone who knows the Transkei at all well and who has witnessed its deterioration over the years, the deterioration of its capacity of producing food, would also be astonished.

One accurate statement in that article is that it has 100 miles of coastline, which could be a very significant factor as time goes on. The population stated is, I think, inaccurate, if one is to accept the South African doctrine that all appropriate ethnic people should be citizens of that alleged country.

There are studies by economists, sociologists, and anthropologists of that region which reveal that that journalist is really writing a very superficial piece, and I suspect with susceptibility to the propaganda he has picked up in government circles in South Africa.

Senator PERCY. If there is no other comment on that particular point, I ask unanimous consent the entire article be inserted in the record.

Senator CLARK. It will be inserted in the record.

[The information referred to follows:]

[From the New York Times, Sept. 8, 1976]

TRANSKEI, AS IT PREPARES FOR INDEPENDENCE, FINDS ITSELF TO BE OUTCAST AMONG NATIONS

(By John F. Burns)

UMTATA, South Africa, Sept. 6.—When the bill-crested banner of the Transkei is raised here on Oct. 26, signifying the independence of Africa's newest country, the band will strike up "Nkosi Sikelel i Afrika," or "God Bless Africa." But Africa, and most of the world, will be looking the other way.

The new country, carved out of South Africa, will cover 14,300 square miles, making it nearly as big as Denmark. It will have a population of three million,

comparable to that of Israel. Its terrain, as beautiful and fertile as any in Africa, will be enhanced by a 155-mile coastline on the Indian Ocean. Compared with many countries of the third world, its economic potential will be strong.

The Transkei, however, will be a pariah. Already, its black leaders are diplomatic lepers, shunned in Europe and North America, ridiculed in debate at the United Nations. By present indications, the only foreign dignitaries who will attend the independence celebrations in Umtata, the market town that is hastening to make itself into a capital, are the ones at the heart of the territory's diplomatic problems, the white rulers of South Africa.

For Prime Minister John Vorster, the fluttering of the blue, white and orange flag above the bunga, or seat of the government, will represent the fulfillment of a political ideal. With the territory independent, he will have a showcase for his policy of separate development, which hinges on the creation of a series of ethnic ministates like the Transkei.

In its old guise, apartheid, South African policy was largely a matter of subordinating blacks. When this became indefensible, the Government added a compensatory dimension by offering blacks emancipation in areas called homelands, or bantustans, carved out of the old tribal domains.

When the Government carried the policy to its logical extension in 1973, offering the homelands independence, the Transkei accepted. Of the eight other territories only one, Bophutatswana, agreed to follow suit. The remainder have rejected nationhood, demanding equal rights for their citizens in South Africa as a whole.

The Organization of African Unity has demanded that the world shun the Transkei, on the ground that recognition would constitute acceptance of apartheid. The territory's leaders have countered by arguing that for three million of South Africa's 18 million blacks, at least, independence signifies escape from racial humiliation.

The Transkeians have also made much of historical argument. They point out that the Transkei existed as loosely organized tribal community as early as the 16th century, and that this territorial integrity was acknowledged by special political arrangements from the time that the British annexed the territory in 1879.

TOO RICH A PRIZE

Chief Kaiser Matanzima, scheduled to become prime minister at independence, notes that similar historical antecendents led the British to set aside three territories as protectorates when the Union of South Africa came into being in 1910. These protectorates subsequently gained independence in their own right as Lesotho, Swaziland and Botswana, all members of the United Nations.

The failure of the British to give the Transkei protectorate status—and thus set it on the road to uncontested independence—was, Chief Matanzima argues, a matter of political expediency. The Transkei, large, lovely, and encompassing some of the most coveted land in the country, was too rich a prize to deny the South Africans, he says.

The arguments have won some favor among Western diplomats, including some in the State Department. But United States officials conceded early on that recognition of the Transkei was out of the question so long as black Africa stood solidly against it, and whatever chance there was of a break in the Africa front died when antiapartheid fervor erupted this summer in Soweto.

The status of blacks living outside the homelands is a major factor in the diplomatic equation, for the theory of separate development holds that each of them—10 million in all—belongs to the homeland assigned to his ethnic or language group. To hammer this policy home, the Government insists that they will all eventually become citizens of their respective homelands, whether they have ever been there or not.

TO LOSE CITIZENSHIP

In the case of the Transkei, the law authorizing its independnce specifies that all blacks with language ties to the territory will lose their South African citizenship on independence day. In theory, the provision strips 1.3 million blacks who speak Xhosa—the "click" language made famous by the singer Miriam Makeba—of any claim to rights as South Africans.

"We're in a real bind, aren't we?" says Mhlaleni Njisane, who is scheduled to be the Transkei's first ambassador to South Africa, probably the only diplomatic post the country will have. "For us, independence is a chance to break the

shackles of apartheid. If we reject it, to show that we reject apartheid, the shackles could last foreover."

Mr. Njisane, who became a United States citizen during a 16-year teaching stint at American colleges, makes another argument for international recognition of the territory: that an independent Transkei will be a beachhead for the anti-apartheid forces. I can see people saying to Vorster, 'What kind of Frankenstein monster have you created,' " he says. "Well, if we have to be a Frankenstein monster in that sense, we'll have to be."

Mr. Njisane is quick to add that the anti-apartheid measures he envisages will be restricted, at least initially, to verbal assaults. "We'll have to go all out to make South Africa understand where we stand," he says. "We may have to pay a price for it, but if South Africa begins to understand that her nearest neighbor stands four-square against apartheid, it may very well assist the process of change."

Mr. STERN. Just a bit more generally. The comment that you made earlier, if I may for a moment, educationally I am very impressed with the University of Cape Town. They are doing research, as is the University of Witwatersrand in Johannesburg, in matters of great interest to the educational institutions in this country, and particularly Stanford, Berkeley, Chicago, Rochester, Columbia, in the areas of financial economics.

As a result, there is a broad exchange program between the schools. In fact, the dean of the graduate school of business at the University of Cape Town is a graduate of Columbia and has a very broad exchange program with the faculty here.

Second, with regard to these independent countries, there is a degree of cooperation between South Africans and those countries.

Senator CLARK. What countries are you referring to?

Mr. STERN. The independent states really being formed within South Africa.

Senator CLARK. None have been formed yet.

Mr. STERN. Not within the boundaries.

Senator PERCY. The first would be Transkei, October 26.

Mr. STERN. The trade with Botswana, as an example. The objective there on the part of businessmen in South Africa is to accelerate the rate of growth there.

The purpose of it is because the rate of growth in South Africa from this point forward is in part dependent upon the success the blacks have in the country.

I might point out further that the incomes of blacks in South Africa are approximately one and a half times the incomes of people everywhere else outside of South Africa on the Continent of Africa, both black and white.

Last, with regard to the location that is in question now, it is in the very fertile area, from the standpoint of developing sugarcane, which is an extremely important commodity in South Africa. I deal with a company that is in that business. I know they are quite interested in assisting in the development of sugarcane in that area.

U.S. REPRESENTATION AT TRANSKEI INDEPENDENCE

Senator PERCY. Do you think when the band strikes up "God Bless Africa" on October 26 that the American Government should have an official representative there?

Mr. STERN. I wish I could answer that with some expertise. I don't know.

TRANSKEI POLITICAL SYSTEM

Mrs. Baker. Yes. I would like to make two points with regard to your question on the Transkei. That New York Times article didn't say anything about the political context in which the independence of the Transkei was taking place.

The political system which will be developed within the Transkei is by any democratic standards very dictatorial. Matanzima would be the Prime Minister. The composition of his legislature favors his regime: 50 percent is composed of traditional chiefs who are dependent for their salaries on the government; the other 50 percent are elected.

The second point is that it is not representative if you take all the potential citizens of the Transkei into account. There are roughly 1½ million potential Transkei citizens who do not accept the independence of the Transkei and who live in the urban areas of South Africa. They have not been consulted on this issue.

So you really have to put it in the political context, in terms of the constituents this state is supposed to represent.

GUARANTEES FOR WHITES IN RHODESIA

Senator Percy. The New York Times this morning says Vorster is said to back the United States-British proposal on Rhodesia which has guarantees for whites. You are familiar with that discussion, that proposal.

How do you feel about that proposal? If you could do it in a sentence or two, the red light is on.

Mrs. Baker. I can make a very brief statement on this. I was very pessimistic about any possibility of success before I went to Rhodesia.

I did go to Rhodesia. I talked to a lot of whites there. Their view generally is, "We are not in favor of it, but make me an offer." They are having a nibbling interest in it. They do want to see what they specifically can get out of it.

I think it can make a contribution, but it is a simple contribution, it is a small contribution. It doesn't deal with the political situation involved in it. The Smith government I think will reject it.

Mr. Thompson. I pass.

Senator Percy. Did you want to comment on that question?

Mr. Thompson. No, not at this stage. I have several other points that are being developed that I would like to respond to. I hope I will have the opportunity.

Senator Clark. I am sure we will.

Senator Biden?

Senator Biden. Mr. Stern, I apologize. I had to take a phone call when you were beginning to answer questions from the chairman. You may have already answered this question. If you have, I will just read it in the record.

NONDEFENSE GOVERNMENT SPENDING

In your statement you say, "The rate of growth in government spending on nondefense projects must be curtailed."

Is there any macroeconomic reason for you excluding nondefense in terms of curtailment? Is that a political judgment you have made, not an economic one, that they can't curtail nondefense?

Mr. STERN. It certainly was more political than economic. The dollar spent in one place is more or less equivalent to a dollar spent in another.

Senator BIDEN. If there was a curtailment in nondefense spending, it would have the same impact, or maybe more or less, but relatively the same impact.

Mr. STERN. I suppose what I was trying to imply was it will be more difficult for the country to realistically cut down at this time on defense spending relative to other areas.

If it were up to me, I would suggest if there are no hostilities whatsoever, I too would like to see the larger fraction of the total output of the country devoted toward social programs that would alleviate the problems.

Senator BIDEN. I am not trying to split hairs. The reason I raise that question is we run into it a lot here. I'm a member of the Budget Committee, and when we start to discuss the impact of Government spending, there are those who exclude Defense spending on economic terms, not based on political terms. But really in my opinion they are usually veiled attempts to hide a political judgment which is being made.

Mr. STERN. That is no doubt true. The question has always got to be stated accurately, however, in real terms as opposed to nominal or money terms.

In real terms you will find that government spending has been rising percentagewise in relation to the total output, whether defense or nondeefnse, in South Africa; whereas, my understanding of the numbers here is that defense spending as a percentage of output and government budget has been falling, not rising.

Senator BIDEN. That is another argument. I wanted to clarify what you meant by that statement.

TYPES OF PRESSURE

Dr. Baker, you indicated in your statement the need for us to, I think it is fair to say summarizing your statement, bring pressure to bear.

We all have been talking about pressure. I am not sure what specifically is meant by pressure. Let's say you are a U.S. Senator. Is there anything you legislatively would introduce today that would ameliorate the situation in South Africa along the lines that you would like to see?

Mrs. BAKER. I did suggest repeal of the Byrd amendment.

Senator BIDEN. But you said that would be insignificant.

Mrs. BAKER. I said that would be symbolic. I think a symbolic act can be very important. I think this is what Congressman Young was referring to when he talked about the recognition of Angola. The contribution that could make would be symbolic. We would be giving a sign that we are trying to get on the side of black nationalists.

I think these specific acts, like respecting the Byrd amendment and tax credits and so forth, can make a contribution toward that end

legislatively. Perhaps there are a lot of additional steps that can be made as well.

When I referred to pressure to bear on the South African Government, I was referring specifically to the Kissinger endeavor.

Senator BIDEN. In what way, though?

Mrs. BAKER. Specifically pressure to cut the lifeline with Rhodesia.

Senator BIDEN. What kind of pressure, though?

Mrs. BAKER. What kind of pressure?

Senator BIDEN. What pressure?

Mrs. BAKER. You mean what kind of——

Senator BIDEN. You are citing the objective, the end. But what is the pressure point?

Mrs. BAKER. The pressure point is in the negotiations. We should say this is what we are looking for from South Africa.

Senator BIDEN. But if you don't, what?

Mrs. BAKER. I don't know we have to go so far as to threaten. I think we could even perhaps suggest that there might be further avenues of communication and cooperation.

Senator BIDEN. I really get lost in State Department jargon about further avenues of communication and keeping open dialogs. What does that mean? I am a blunt old fellow from Delaware who doesn't understand much about State Department avenues.

Mrs. BAKER. As I understand the little that is coming out of these negotiations, a so-called package deal of compensation for Rhodesian whites is being put together.

If this compensation plan has any chance of getting off the ground whatsoever, it has to be done with the cooperation of South Africa.

How could we put together a package deal to compensate the whites, presumably to get a peaceful transition, to get the whites to stay, to get some whites to leave, but in order to not get a panic situation?

Our role would be, according to what I see, to put together this compensation plan for the whites.

What would South Africa's contribution be? South Africa's contribution would be to end the war in Rhodesia as far as possible.

How could she do this? She could do this by cutting off the lifeline to the Smith regime.

Senator BIDEN. There is no domestic pressure, is there, in South Africa to cutoff those lifelines?

Mrs. BAKER. No.

Senator BIDEN. As a matter of fact, it is just the opposite, isn't it; that the pressure on Vorster from his party would be the opposite direction?

Mrs. BAKER. There is a split. The English-speaking whites, despite their characterizations as being more liberal, tend to have a closer affiliation, sentimental association, with Rhodesia. The Afrikaaners have none of that, and it is the Afrikaaners who are ruling. As a matter of fact, the ones I have talked to felt the Rhodesians were intensely dishonest people who wanted to get apartheid in their own country but didn't have the courage to do it.

I think the South African regime is embarrassed by the Rhodesian situation. They want to get it off their back. The government feels particular constraints, particularly from the right wing, to do this in a way that would not hurt her internationally.

Senator BIDEN. Is the sum total that you do not see sufficient domestic pressure in South Africa upon the present leadership to cut the lifelines, as you characterize them, to Rhodesia?

Mrs. BAKER. I don't think domestic pressure is that relevant. I think it is international pressure, the international situation.

Senator BIDEN. It would be relevant if it were there.

Mrs. BAKER. Yes. But it is not there.

Senator BIDEN. You are saying it is not there.

Mrs. BAKER. It is not there. Even from the right-wing, it is not in sufficient quantities to stop Vorster from cutting off the lifeline.

Senator BIDEN. I beg your pardon?

Mrs. BAKER. There is not sufficient pressure from the right to prevent cutting the lifeline. That is relevant. This is the key issue.

Senator BIDEN. If there is sufficient pressure to cut the lifeline now, there would be no need for us to be dealing with pressure points upon that government now to encourage them to cut the lifeline, would there?

Mrs. BAKER. I think we are arguing two different points here. You are trying to determine what kind of points of pressure exist internally to cut the lifeline. I am saying there is very little, if any.

There is another aspect of the question and that comes from the other side of the domestic political spectrum. That is pressure not to cut the lifeline. This comes from the right wing of the national party. This is the particular factor that has been cited most often as preventing Vorster from cutting the lifeline.

Senator BIDEN. Dr. Baker, will you put your microphone up by the mouth there?

Mrs. BAKER. Yes.

Senator BIDEN. The reason why I am pursuing this in such detail is that it seems to me what you are saying and what others have said is in order for the present South African Government to cut the lifeline, there needs to be international pressure brought to bear upon them in order to encourage them to do that. You went through a little scenario just a moment ago. You cited what we can do in the first instance about the compensation plan for whites that we can put together; what South Africa could do to aid in the Rhodesia situation; the ultimate decision being they would have to cut the lifelines to aid in that effort.

What I am trying to point out is I see nothing from the witnesses I have heard so far, over my limited knowledge of South Africa, to indicate that pressure is going to come from within to cut the lifeline, so it must come from without. It must come from beyond South Africa's border in order to encourage them to cut the lifeline.

One of those parties outside of the border that can bring to bear that encouragement is the one we all talk about here: The United States of America. We all say in one way or another the United States of America should bring that kind of pressure. We say it and then we drop it.

What I am trying to find out is whether it is desirable for the United States of America to bring pressure upon South Africa to cut its lifelines to Rhodesia? That is my first question.

Mrs. BAKER. Yes. I think it is.

Senator BIDEN. Since it is, how do we go about doing that?

Mrs. BAKER. Are you really asking how do we convince the South African Government to do it?

Senator BIDEN. How do we get it accomplished? Whatever phrase you want to use. How do we accomplish the end we just agreed is desirable—getting South Africa to cut its lifelines to Rhodesia? How do we do that?

Mrs. BAKER. I would hope we could point out the realities of what would happen if she would not do that. It would mean, in my view, a prolongation of the war, and this would increase the possibility of foreign intervention, which is what South Africa does not want.

What we should be saying is the longer the war goes on, the greater the possibility of foreign intervention. Therefore, we must stop the war. Therefore, South Africa must make its contribution, which is to cut the lifeline.

Senator BIDEN. We must make a persuasive argument to the South Africans where their self-interest lies.

Mrs. BAKER. Yes; which is in alinement with us——

Senator BIDEN. I agree with that.

Mrs. BAKER [continuing]. At this particular stage.

Senator BIDEN. Assuming they reject that, which it seems thus far that they have, that kind of reason to dialog, what do we do then?

Mrs. BAKER. That is a good question.

Senator BIDEN. It is one I get asked all the time, and that is why I am asking.

Mrs. BAKER. I am not sure South Africa, first of all, has actually rejected it.

Senator BIDEN. I am saying if it does. Let's continue our little scenario. We have done it, they reject it, and now what?

Mrs. BAKER. I think the only scenario then is that the United States is going to be forced to move closer and closer to supporting the militant black forces.

Senator BIDEN. How?

Mrs. BAKER. That I don't know. The options I don't know. But it is obvious to me if forces polarize to that extent and if the possibility for foreign intervention becomes very real——

Senator BIDEN. Let's clarify that.

Mrs. BAKER. Let's say, Cuban intervention becomes that real; in other words, the possibility of another Angola. That is essentially what the United States and South Africa are talking about. They don't want a repetition of another Angola.

I see what will happen will be that the options will narrow as the timeframe shortens and that the United States will have to make a very clear-cut choice, with very little shades of gray, between actually supporting the black liberation forces or the white regimes.

I don't know whether that means materially or just morally. But it would have to be a concrete statement of support for the blacks on the one hand or support of the South Africans on the other. I see our choice as very limited.

Senator BIDEN. I am going to come back. I would really like to pursue this, because in the raw political terms that is just what we are likely to be faced with, based on the witnesses we have spoken with so far. I would like some further guidance on that. One last thing, I am not trying to be critical, Doctor; I am trying to get information.

Mrs. BAKER. Can I add one point? This is very relevant to this whole picture that you are painting here. We discussed before the role of the United States, and Congressman Young said that our role should be technical and developmental.

The blacks that I talked to in southern Africa felt that the United States should have a presence, but are very, very wary of this presence. They do see a political role for the United States, beyond technical and developmental assistance. The political role is precisely that which I am advocating, and that is pressure on South Africa.

Senator BIDEN. You are not really pressuring. The only thing you have said so far is we make a cogent argument. That is not pressure, not in this politician's mind.

Mrs. BAKER. We could do other things. We could say, for example, that we will not vote with you in the U.N.

Senator BIDEN. Those are the kinds of things I would like to find out later.

Senator CLARK. I am going to take my time, Joe, to try to answer you very briefly, if I can.

Senator BIDEN. OK. If you have the answers, Dick, you can do it on the way over to lunch.

Senator CLARK. It seems to me what you are saying is do we have any pressure to bear on South Africa. I think we do. I think there is an enormous amount we can do, if we really decided to go that route.

I think we suspect we ought to go the route Dr. Baker is talking about. We could take the leadership in the United Nations, for example, against South Africa. We could say we are not only going to have arms embargo ourselves, but an arms embargo from the United Nations, total economic sanctions against South Africa, as we have done, or almost done, in the case of Rhodesia.

We could say, and we have $1.7 billion in investment there, we will not give any more tax credits to any company that pays taxes there. We could discourage any kind of trade there. We have 300 companies there that are investing. We could cut off all diplomatic relations, as we have done in the case of Rhodesia. We could totally isolate South Africa from the community if we wanted to take that kind of leadership.

By that I mean South Africa is so dependent upon having some kind of neighbor, some kind of friendship, some kind of association with the western world, we could take the leadership in the western world of totally isolating them from the world. It would make an enormous difference to them.

We could give assistance to SWAPO. We could give assistance to radical regimes to come to power in Rhodesia. We could encourage Mozambique, through financial aid, to pull their own people out and diassociate themselves from South Africa.

I think there is an enormous amount that we could do that hangs over their heads. I am not suggesting any of those actions, incidentally. I am simply saying the pressure points that could be brought.

I think it is in South Africa's own self-interest to negotiate a settlement. I think that is why they will do it, if they do it.

Senator BIDEN. If you will yield for just a moment. We could invade if we wanted to. We could do a lot of things. My question wasn't

related to what we can do. I know some of the things we can do. My question was related to what we should do.

I am so tired of sitting, not in this hearing but every hearing I go to, listening to witnesses tell us in vague terms what in fact can and can't be done; and then us being put in a position, which is the reason we ran for the office, of eventually taking an action and being criticized for having taken or not taken the action.

I am looking for some kind of hard advice. That is why I get so frustrated when I talk to the State Department particularly. It is like talking to a wall. It bounces off. It is an echo. I walk out wondering what the heck just went on. I just don't know.

I admit, I know—and I apologize; I should calm down a little bit. I am not nearly as diplomatic or as senatorial as I should be, I suspect.

But I am not sure that one of the reasons we get in so much trouble around the world, not just in Africa, is because we have all kinds of people, elected and unelected, raising all kinds of alternatives, but very few people coming and sitting before us and saying:

A, B, C; this is what I think we should do, and this is why I think we should do it. I am not sure I am right. I may be wrong. But this is why I think we should do it.

My question relates to that. If in fact this is meaningful—that term is not in vogue any more—if in fact pointing out to South Africa its self-interest fails, what pressure should we bring is what I want to know.

I have my opinions of what that should be, and ultimately I am going to rely on my own judgment as to what that should be. I am just seeking some advice as to what it should be if indeed we bring pressure. Pressure doesn't mean anything to me unless you tell me what pressure.

KISSINGER SOUTHERN AFRICA PROPOSAL

Senator PERCY. I would like to comment on that, on my own time, for accuracy on the record. The Secretary of State made 10 points. He didn't say "A, B, C," said "1, 2, 3, 4, 5, 6, 7, 8, 9, 10." He presented that program. The Congress hasn't acted on a large part of that program yet. But he has at least presented a program for the Congress to consider.

We had very specific suggestions made by our witnesses yesterday. But all the witnesses didn't agree. I would love to live in a world where we would all find agreement on every issue, but we don't get that. That is the purpose of this hearing. We have to finally evaluate and sift and sort and decide which way we are going to go.

I think the whole purpose of this whole hearing has been extraordinarily helpful to me in getting valued judgment on the proposals that have been made. We have a lot of options. Do we or don't we support the Secretary's trip next week if he intends to take one next week?

Senator Biden, you took a nonpartisan position of support of that trip. We set out objectives and goals. I am not as frustrated as you are.

Senator BIDEN. I am not frustrated overall by this. I just like to pursue questions in detail as you know from my being involved in

this committee with you and the full committee for a while. I admit that I probably have become too specific on occasion. I was just trying to get the witness to tell me what pressure she meant. I am going to continue to try to get the witnesses to be as specific with me as I can, in any committee.

There was no veiled criticism of the Secretary of State. He did make proposals. I should just be quiet right now. I want to know what pressures you mean specifically, Doctor, when I get a chance to ask again.

Senator CLARK. Not at all. I think your point is very well taken. I must say I get frustrated with the vagaries of our own language and others as well.

Senator BIDEN. I have never really considered the Secretary of State part of the State Department.

Senator CLARK. What do you consider him a part of?

Senator BIDEN. I consider him the State Department.

Senator CLARK. Let me just end, since we are still on my time, my part of the discussion here.

Senator PERCY. Thank you.

Senator CLARK. As I said, I don't suggest any of these very strong things be done with South Africa. In point of fact, I do suggest them if it is impossible for us to convince Mr. Vorster to assist us in bringing about a peaceful solution, if I felt there was no longer any hope that South Africa was either going to change itself or bring pressure to bear for change in Rhodesia and Namibia.

I would first advocate more encouragement of investment. I would be the first to advocate more arms embargo; advocate sanctions against South Africa. I have no reluctance to advocating cutting off relations with South Africa if there is no hope of dealing with them. And all the other things I have listed. I think those are all realistic points of pressure that we ought not to be reluctant to bring to bear if we are totally unsuccessful in our convincing and negotiations and talks. I really feel that way.

Senator BIDEN. Thank you.

KISSINGER SHUTTLE DIPLOMACY SUPPORT

Senator CLARK. Let me ask Pauline Baker, who I was talking with last time, this is really related to what Senator Biden is talking about: Do you, in fact, support the idea of the Secretary of State meeting with Mr. Vorster and the possibility of this shuttle diplomacy in South Africa to try to bring some sort of negotiated settlement in Rhodesia and Namibia? Do you think that is a good idea? If so, why? If not, why not?

Mrs. BAKER. I do support the idea of shuttle diplomacy. But, like Congressman Young, I do not have high expectations of its success.

One of the reasons I don't have a high expectation of its success is because, sharing some of Senator Biden's frustration with the State Department, I don't think they are prepared to exert, to use your hated word, Senator Biden, sufficient pressure on South Africa.

One of the things that I didn't probably express myself clearly about in terms of pressure is the role of prestige from the United States. It is a vague thing, but there is a pressure exerted from the threat of with-

drawal of American respectability that South Africa is very hungry for. Our simply talking to Vorster about the issue is tremendously important to him. If we just cut off negotiations forever and say, "OK, any hope of negotiating with you is finished, and we have to support the nationalists," this would be a tremendous blow to Vorster.

It is a nonnegative—it is not really a positive inducement—but it is a nonnegative inducement for them to cooperate with us. We are then presenting them with the scenario of peace or isolation.

If that doesn't work, then we can bring out of the closet the whole series of things that Senator Clark was suggesting, which you and the South Africans and a lot of other people would probably say is not in the realm of real possibility; we don't think the United States is going to do it because it would raise issues on your own home front, et cetera.

So we know we are dealing with a very limited set of options here. So to get back to the large question, yes.

Senator CLARK. My time is about up and you haven't answered my question yet.

Mrs. BAKER. I am in favor of the Kissinger shuttle diplomacy. One reason I am in favor of it is because the frontline states appear to accept the hope and the possibility of our role there. But again I do think it is very important that we state the limits of what we can do, and I think the blacks feel that what we can do really involves South Africa; and specifically to include SWAPO in the talks and get South Africa to back down, to compromise as far as that is concerned, and to cut the lifeline with Rhodesia. Those are two specific objectives we want to get. I think we must go beyond the compensation plan to include those.

Senator CLARK. To include what?

Mrs. BAKER. To include the specifics; inclusion of SWAPO in talks and cutting the lifeline with Rhodesia. They must be tied to the compensation plan.

SWAPO, ANC CONCERNS FOR FOREIGN INTERVENTION

Senator CLARK. What concerns do SWAPO or ANC leaders have about foreign intervention; let us say Cuban and Soviet intervention?

Mrs. BAKER. They don't want it, but neither do I think they reject it, if they feel it would help their cause. They regard it as far less of a threat than the threat of South Africa itself.

They also, to my mind, seem to make a distinction between different kinds of foreign intervention. The Cubans are there for a limited action, as far as they can see; purely temporary and very acceptable. The Chinese represent another, more or less, acceptable type of foreign interest. They feel the Chinese don't have as ambitious goals within Africa compared to the Soviet Union, which is, I think, regarded as somewhat more threatening.

But there are great variations among the black leaders. Some don't regard the Soviet Union as a threat at all. Others, like President Kaunda, have reputations of not wanting Soviet influence in South Africa. It varies. You have to define who you are talking about.

Generally I don't think they are nearly as frightened of it as we are. In comparison with the South African threat, particularly the possibility of military intervention by South Africa beyond its own borders

in the way it did in Angola, this is regarded as a far greater threat to their interests than any other outside force.

Senator CLARK. One last question before turning it over to Senator Biden. And then later I would like to ask some questions of Dr. Thompson.

Senator BIDEN. With the chairman's permission, I yield my time. I really have no more questions for now.

VORSTER ACTION REGARDING SMITH, RHODESIA

Senator CLARK. Then feel free to break in at any point you have some.

What do you see, and this really goes back to Joe's question in a way, too, what realistic, most drastic action do you see Vorster taking with regard to Smith in Rhodesia?

What do you think, given his domestic situation that we discussed here earlier, what conceivably, realistically speaking, do you see Vorster doing in trying to bring about a solution in Rhodesia?

Mrs. BAKER. You mean regarding the cutting of all lifelines?

Senator CLARK. Yes.

Mrs. BAKER. Realistically I think there are plenty of opportunities for him quietly to cut this lifeline, by saying that the ports are too congested for the rail lines to export the produce. The 20 percent deposit scheme is another way; this has hurt the Rhodesian regime, putting Rhodesia in a credit bind.

These kinds of things could be done and justified on other grounds, but nevertheless would have the eventual impact of hurting Rhodesia's economy and Rhodesia's political stability.

Senator CLARK. There is no question in your mind that if Vorster wanted to put the screws on Smith, that he could do it to the point of bringing the downfall of the government.

Mrs. BAKER. There is no question in my mind that the main contributing factor to the survival of Smith is the support of South Africa.

APARTHEID POLICY RESTRICTIONS ON U.S. COMPANIES

Senator CLARK. I would like to ask Mr. Thompson—and, Joe, I do mean break in at any time you have questions, because my time is up—what real limits to separate development restrictions are put on United States companies doing business there?

You know that after our next hearing, most of the other days are going to be spent on American investment there and what we are doing to contribute to the apartheid society or, indeed, to try to change it.

What I am asking then is really what restrictions does that apartheid policy really place on American companies doing business there?

Mr. THOMPSON. Hardly any, as long as it abides by South African law in terms essentially of race and utilization of employees on different occupational levels.

On this issue, by the way, I would like to add to your catalog of potential American actions, especially potential legislative actions, if I may.

Senator CLARK. Sure.

FAIR EMPLOYMENT CODE CONCEPT

Mr. THOMPSON. When I last gave evidence to your committee, in July 1975, I developed the concept of a fair employment code in my answer to your question No. 25. That is a complicated problem, like any significant legislation; but I do think it is a line of action that can and indeed should be taken.

Granted the fact that American subsidiaries are in South Africa and granted the fact that they will not withdraw lock, stock, and barrel, I think they can and should be obliged to conform to a fair employment code enacted by this Congress. I think that there could be ways of monitoring the code, which I summarized for you last July.

Otherwise I agree with your catalog. As of now, American subsidiaries in South Africa are not significantly inconvenienced in terms of their capacity to make profits by the South African system. They are greatly convenienced by it because of the cheapness of labor, the cheapness of black labor. So that is my short answer to that question.

May I say something on urgency and something on hostility? Do you mind?

Senator CLARK. Not at all. I want to hear it. I think the problem is we have about 3 minutes to make a vote. So we are going to leave, and Senator Percy will return to start the hearing. You certainly will have an opportunity to say what you like.

We will stand in recess until Senator Percy returns. I think it will be about 2 or 3 minutes.

[A recess was taken.]

Senator PERCY [presiding]. We will resume our hearings.

NAMIBIAN INDEPENDENCE

Dr. Baker, first I wonder if you could comment on the announcement in Namibia last month by what is termed a multiracial committee that Namibia would probably become independent by the end of 1978. How do you react to that?

Mrs. BAKER. 1978 is a target date for independence, and the South African Government has announced an interim interracial government by this time.

Essentially what South Africa is trying to do, it seems to me, is to create an orderly transition to independence which does not necessarily imply majority rule. She has not yet committed herself to majority rule. She wants to get the constitutional conference to such a stage that a constitution can be voted upon or established which would have certain preconditions written into it.

These include protection of minority rights, preservation of private enterprise within the system, and a constitutional structure which would allow a moderate government to come to power that would permit substantial white influence.

At such point that these preconditions are established, I feel that then South Africa will actively seek the support of SWAPO. I think she understands the war will continue as long as SWAPO is excluded.

The problem with that plan, of course, is that SWAPO rejects it now. The likelihood is that at such time as South Africa is willing to negotiate with SWAPO——

Senator PERCY. Wouldn't it be wise for SWAPO to reject the terms that were laid down but put the conditions down by which they would accept a role and play a participating part?

Mrs. BAKER. They have done so.

Senator PERCY. What are those conditions?

Mrs. BAKER. They demand release of political prisoners. They say they will not talk under the conditions of the conference because that is based on the principle of apartheid representation, based on the ethnic groups. They will only talk directly to Pretoria because that is the power in reality. They state a number of associated conditions.

Senator PERCY. Like Mr. Mudge's presence, do they want to talk over his head?

Mrs. BAKER. That is correct. That is very true.

Senator PERCY. That is a realistic condition for them, though, to raise?

Mrs. BAKER. Well, I don't know.

Senator PERCY. After all, many of those that are there in Namibia have been—we had a witness yesterday born there. To them, that is their native country, whether they are white or not.

For SWAPO to just arbitrarily simply say they are going to deal over the heads of the resident whites there who are a part of that power structure I think is unrealistic.

Mrs. BAKER. That is something of an oversimplification of their view. They do not exclude participation by the other groups in Namibia. They simply say they will not negotiate as an ethnic delegation. They will negotiate as a political party. They will negotiate under Pretoria's auspices, and if other delegates from Namibia representing other groups want to participate, that is fine and good.

So they are not excluding the other groups. They are simply saying they want to deal with the real power in Namibia and as a political party. And they want elections, they want free elections, and they say, "We will stand the test of elections."

CONSTITUTIONAL CONVENTION DELEGATES

Senator PERCY. Could you refresh my memory as to how many delegates there are in the constitutional convention? My impression was 160.

Mrs. BAKER. It is roughly 150 or 160 representing 11 ethnic groups.

REALISTIC REPRESENTATION BY SWAPO

Senator PERCY. What would be, in your judgment, realistic representation by SWAPO at that convention in voting delegates?

Mrs. BAKER. They wouldn't participate in that particular conference, first of all.

Senator PERCY. They have rejected that out of hand?

Mrs. BAKER. That is right. They will not come. They have said this many times. The reason they will not is because it entrenches apartheid.

Senator PERCY. I have talked to SWAPO internally as well as externally. And unfortunately, I did not go back to the external SWAPO. Those inside recognize most of the leadership has been

driven out or imprisoned or something like that. They recognize they are not the real power structure.

I got the impression that they agreed with me that it was unrealistic, really, to do away with everything. Why not work with that they have got and at least get a powerful voice inside it and a voting representation.

We got the question of just how many? It would seem to be a feeling that it was not out of hand that if there were a dozen good, strong members' voices there and they were provided political asylum and personal guarantees that they were brought back and a majority of those would have to be from outside of the country, that that would be the story.

In your judgment, is that realistic? In other words, I think in these hearings we are aiming at many audiences: The American public, the Congress of the United States, the executive branch, the State Department; but also South Africa and organizations such as SWAPO. I agree with you they are absolutely crucial to the success of this.

But I think they have to be very realistic as to what we can bring about and the time frame we are talking about. To start all over from scratch is a lot tougher than to just try to find a viable position within the structure that is now already existent.

Mrs. Baker. I agree with you, that there has got to be more compromise from the stated positions. I also talked with internal and external representatives of SWAPO last month. The internal branch does seem to be somewhat more compromising than the external branch.

But I was struck by the degree of flexibility of SWAPO generally. I was also impressed by some of the moves that I have discovered that South Africa itself is considering, including, I understand, release of the former SWAPO detainees to use them as potential bridges of the communication with existing SWAPO leadership.

The problem is that each side tends to links these moves with stated pre-conditions that the other side can always reject. I think the key here is who is representing whom? If you can get the two bodies together, SWAPO and South Africa, you can include Mr. Mudge and many of the others who are genuine representatives of other groups within Namibia; this might work. But you are going to have to define very closely who is representing whom.

SWAPO will not come as a representative of an ethnic group. That is where the crux of the matter hangs. She might compromise on the release of political detainees at some time when they see South Africa doing the same thing.

Senator Percy. When you say SWAPO will do this and won't do this, and then later you said they are flexible, I found that also. Certainly I would not concur at all with Mr. Vorster's statement that he made to me that they are an organization that are all Communists and conceived in sin.

I talked to too many of them. They are graduates of universities in Illinois and others who know and understand our way of life, our system, and have quite a respect for it and what it can accomplish economically for the people of Namibia. I don't find them a bunch of

Communists. I think there are Communists among them, just like there would be among any radical group.

I think they are reasonable and subject to reason. So I would hope that they could find a way to move forward and lay their conditions out, but also have a negotiable position.

Mrs. BAKER. There is also another factor to consider here. Not only the divergence between the public and private, between external and internal wings of SWAPO, but there is also a generational difference and also a divergence between the politicians and the military wings of SWAPO.

The situation has seeds of the same kind of disunity that exists among the Zimbabwe nationalist groups.

My position is that the longer it takes to come to terms with SWAPO, the more radical SWAPO's position will be and the less compromising she will be, the more these divergent views will come together, public and private, and they will become, I think, more militant.

NAMIBIAN INDEPENDENCE

Senator PERCY. I would like to try to get from each of you or any of you that would like to comment on when you think a reasonable and practical date for independence for Namibia would be. This interracial group has said the end of 1978. The United States and U.N. have called the statement inadequate. When is a practical and reasonable date? What is a target date that you think should be established towards which we should work to achieve independence?

Mrs. BAKER. Personally I wouldn't think 1978 is an unreasonable date, provided I could see that certain concurrent actions were taken on the part of South Africa to make this a meaningful independence.

In my paper I point out that there is no development training going on whatsoever in the three crucial fields that will make independence a reality. That is police, administration, and the military.

And as I mentioned earlier, South Africa will not withdraw if she has no one acceptable to turn over to. This is not a meaningful independence.

I don't see the moves Pretoria is making concurrent with the naming of a date as convincing demonstration she is committed to independence.

The two outstanding things she has not done is including SWAPO, and I agree with you there is no prospect of a true independence or peaceful independence without SWAPO, and second, no training going on internally.

SWAPO is training Namibians to take over after independence, but the South Africans are not. If you compare her record in Namibia with the record in Transkei, whose independence she has fully committed herself to, it is a blatant indictment as to what she could do. Training in the Transkei began in 1963. There is no training going on in Namibia whatsoever.

Senator PERCY. Dr. Thompson, do you want to comment on this time frame?

Mr. THOMPSON. I agree with it. It is not so much the date of independence that is the vital thing however. Having said that, I say yes,

1978 is OK. But it is the process leading to and the conditions of independence that are really at stake here.

Obviously what the present South African Government aspires to, now that it realizes it is expedient to cast off Namibia, is to see the successor regime is tolerant of apartheid within South Africa and generally well-dispersed to the present regime in South Africa. That is the all-important purpose of that government.

The consequence of that, if successful, will of course be a government in pseudoindependence, that may not be responsive to the will and interests of the majority of the people. I am not saying it is easy. But I am saying the date is not nearly so important as the conditions.

Senator PERCY. Mr. Stern, I would like to try to pin down a little bit a factor of leverage we may or may not have with respect to economic investment in South Africa. Senator Clark has mentioned this as one of the potentials we could use to help try to bring about change.

U.S. INVESTMENT CAPITAL FLOW

Is there very much U.S. investment capital flowing into South Africa now?

Mr. STERN. No, there isn't.

Senator PERCY. What factors have intervened to cause that? Is it really, would you say, a drying up of investment capital, new venture capital going in?

Mr. STERN. No, I wouldn't. I think the political uncertainty and the high rate of inflation and the likely devaluation of the rand have combined to increase the minimum rate of return that would be needed upwards of 15 and 16 percent after taxes, which is difficult to achieve in any short or medium-term period.

One thing that I think has not been emphasized sufficiently here is the degree to which the kinds of suggestions that have been made by the other witnesses is concerning the costs to the black population in terms of higher rates of unemployment and other turmoil that would be caused by our interference or the interference of other forces from outside of the country in trying to solve their problems.

I should assure you that my concern here in no way reflects on my association with the bank. I am here really as a private citizen in this matter, reflecting my views in the field of economics and political economics as to what would be the just solution.

If you wanted to have a strong economic impact on the country, almost all of the suggestions that have been made would have a very small impact relative to what could be done with regard to the price of gold. It represents a very large percentage of their total output, their exports and so on.

I would be the last to suggest anything like that. But clearly the amount of gold that is in the hands of the free world relative to the amount that is produced there is so great that were it to be sold on the open market, it would further depress the price of gold and worsen their situation.

The problem as I see it, however, is the degree of consistency we have without being hypocritical in an international sense. It is amazing to me the degree to which there is harmony and happiness in the coun-

try and the degree to which the hostilities we read about are so isolated, relative to what we get as an impression by reading the press.

I write for a newspaper and I know how to sell newspapers, and, unfortunately, others do, too. The extent to which there is unhappiness in the country even among the black population and Asian and the like really reflects on things that are a long underlying problem.

I am very happy and compassionate about what we have done here. In the same sense, I would like to see it done there.

I do suggest, however, that one of the ways to point out what companies are doing in South Africa to improve the situation is to take a look at the Tongat group in Durban. The degree of education, the degree of increase in income, the overall standard of living in happiness in that area of the country is overwhelming. You would think you were living practically in a paradise relative to what we read about in other sources.

Senator PERCY. Is investment actually flowing out of South Africa or is it just not going in?

Mr. STERN. In absolute terms there are attempts made by residents in South Africa, who are Afrikans, who are local people, who were born in South Africa and are very concerned.

I might say that it has to do in large part with minority populations that have had problems in the past in other countries and have attempted to, for example, liquidate their real estate.

There have been limitations placed on them in taking capital out of the country. Incidentally, I might say one of the ways of encouraging the rapid economic growth in the country and in order to satisfy the black population there, would be to eliminate capital controls altogether, because there is a tendency on the part of the government to misbehave on monetary and fiscal policies that cause inflation when there are capital controls and therefore limit the opportunities of citizens in the country to export their capital to protect themselves.

I have had that experience personally in a number of other countries that have capital controls as well.

BOTSWANA

Senator PERCY. Today, if there is time on the floor, or tomorrow, I am going to give a speech on Botswana. I was rather struck when I visited Botswana with the democratic institutions in the country.

I know there is an impression among some of our colleagues here, that in Africa, you don't have democracy. Free enterprise doesn't exist, and so forth. Here you have an enormous-sized country, the size of Texas really, relatively small population, great economic potential, tremendous political stability, I think fine leadership in President Khama, and the New York Freedom House judged it the most democratic nation in Africa.

I am going to talk about investment opportunities in Botswana. I think when a nation does what they have done, we ought to really invest there and have a little faith that our process does work and the capital will be treated with some degree of respect, and reward those who have gone this route and done so. It is a hard, torturous process.

Would you agree with that assessment in Botswana in that it has a

good economic climate, fine political climate, and great progress has been made; and for those who say, "Well, the country is not capable of governing themselves," it is just simply not true?

Mr. STERN. I think the major reason for what we see there is the encouragement in the private sector to risk investors' savings and to be able to earn adequate returns on those investments that would be made.

If I may just for a moment return to something that was mentioned a little earlier. There has been a tendency to blame capital outflows or to look toward capital outflows as a source of pressure on multinational companies. To a large extent I think that intention is misdirected. I think the major reason for it is that equity investment on the part of foreign companies is relatively small. That would include Botswana as well.

The major reason is it pays to borrow money locally based on investor's savings locally and not to channel it in from outside countries. The major experience we have learned in the last 20 years is the threat of devaluation. That is, we lose the wealth we have put in there in dollar terms. As a result, most companies attempt to borrow locally almost equal to the assets they have invested so as to protect them against that devaluation.

From the standpoint of multinationals transferring funds and the like, I believe focusing on that issue is very much misdirected.

That would be, incidentally, for industrial companies as well as banks. Banks that are in there locally are primarily raising their funds in the local market. That is the result of consumers saving their money rather than spending. Any increase in instability there would reduce the rate of growth and hurt those people we want to help the most.

Senator PERCY. I think our testimony today has been very valuable, Senator Clark. I certainly wish to thank all of our witnesses.

Senator CLARK [presiding]. Thank you.

U.S. LOANS/INVESTMENTS CONTRIBUTIONS TO IMPROVEMENT OF BLACKS

Mr. Stern, what evidence is there that American loans or investments have really contributed anything substantially to the improvement of black people in South Africa?

Mr. STERN. What you have to do, I think, is rely to a certain extent on fundamental economic theory and what evidence we have to back up those claims.

There are various points of view in the field of economics, running from the extreme free marketers, as they are referred to, as opposed to those in favor of government intervention because they believe when markets are left to themselves they become destabilized.

I happen to join in the trickle-down theory, if you like, that believes no matter where the investment comes from, those people who are hard working and attempting to improve themselves benefit. It is in the interests of all people in the country, no matter what their point of view, to have earnings improve.

The efforts made on the part of the companies to train people reflect very much more than what we have here on the source of education. Education there is primarily on the job. Salable skills have been increasing at such a dramatic rate, and that is the major reason why the

black population has such a high level of income relative to other parts of Africa outside of South Africa.

UNIVERSITY STUDIES OF LABOR MARKETS

From the standpoint of any concrete evidence, I would have to direct your attention to the studies of labor markets that have been done at the University of South Africa at Cape Town and the group in Johannesburg. They have substantially the same point of view.

Senator CLARK. That briefly put is what?

Mr. STERN. That whenever investment of any sort is directed into those areas that offer adequate rates of returns for the risk perceived by the investors, the incomes of all people benefit, no matter what their background is.

Senator CLARK. Theoretically it would be hard to disagree with that. To take an extreme example in our own country, you would argue I suppose if you put $25 billion into planes and submarines, that is going to stimulate the economy to some degree.

Mr. STERN. It wouldn't.

Senator CLARK. It wouldn't at all?

Mr. STERN. No.

Senator CLARK. If you invested somewhere else, it would do something more?

Mr. STERN. The problem is differentiating between what you regard as defense measures necessary to maintain a stable environment for savings locally and try to take a look separately at the fundamental economic arguments. Any time you build something that you would not of your own free volition have done, the chances are you have reduced the efficiency with which the capital and labor markets function.

Senator CLARK. Yes.

Mr. STERN. The problem, I think, in our country is the extent to which people disregard the vast amount of empirical evidence that has been published in highly regarded sources. The outstanding journals at Princeton University and the University of Chicago and Stanford and Harvard have been disregarded almost entirely——

Senator CLARK. Be a bit more clear.

Mr. STERN [continuing]. As to what the impact of government spending is on the economy. If you spend money at the government level, even if the government spent it as wisely as the private sector, and the private sector has an extra incentive to be more careful about the returns because you get the fruits of the investment you are making.

The problem with the view of government spending is what is spent on the government side has got to be taken from the private side because total wealth at the point in time is fixed. You can't create something out of nothing.

HIGHER STANDARD OF LIVING FOR BLACKS

Senator CLARK. I see what you were saying. I was trying to get at a somewhat different point.

Let me try a different subject. It seems to me that it is difficult to argue that if there is increased investment, foreign or otherwise, it

isn't going to stimulate the economy and it isn't going to create jobs, and to that degree it isn't going to contribute to the higher standard of living of those affected.

It seems to me to say that is not necessarily to argue, in answer to my first question, that black people in South Africa are necessarily better off because of that.

First of all, one would have to look at such things as the increasing gap between whites and blacks, which seems to me to be more realistic than just the dollar figure as compared to somebody in Egypt and Uganda or some other part of Africa.

So much of it is perception, in any case, as we have seen in our own country in terms of the difference between them. We have probably the richest poor people in the world. But so what? It is an interesting statistic. But it really doesn't give poor people any great feeling of accomplishment for being the richest poor people in the world.

I think people in black South Africa would certainly feel the same way. They would feel, "Here is South Africa. This country belongs to all of us, blacks and whites. If we have enormous resources, gold and so forth, we ought to share in that to the same degree. We don't want to just be compared with other black Africans."

Mr. STERN. My argument is they do share in it.

Senator CLARK. I am saying more equally.

Mr. STERN. Well, the question always in the imperfect world in which we live—perfection may be for another world—under what set of arrangements between people are the collective bodies of people the best off?

My argument is essentially that when private decisions are made, the odds of them being made to benefit the population as a whole are far greater than if they are made at a public level, simply because the capital that is invested at the government level is most often not invested as wisely from the standpoint of the collective——

Senator CLARK. I understand your argument on that. But it seems to me that the theory is somewhat lessened in its effects if you realize the government of South Africa has passed several laws and several practices to prevent blacks from being put in positions of managerial capacity.

In other words, if there is an artificial set of walls that really prevents them from going above a certain rate, either in wages or terms of opportunity, you might say within that range they improve, but that there is an overall limitation over which they probably are not going to go.

Mr. STERN. Let me say we have to differentiate social policy from economic policy. I too would be in favor of increased freedom for people and removing limitations. But in my travels I find that there are feelings of lack of upward mobility in many countries with which we are all familiar, including the U.K. [United Kingdom]. You go to New Zealand and Australia——

Senator CLARK. You are speaking in absolute, not degree.

Mr. STERN. No, in relative degree. You will find when you visit countries like New Zealand and Australia and the U.K. that people "know their own place." And it bothers me personally because I know of a number of people employed by my own organization who are

starting at poverty levels and below and have now achieved for themselves considerable positions of authority and income merely because of hard work. I would like to see that elsewhere.

The law of economics has not been reversed in South Africa any more than it has in New Zealand or the U.K. What we do find is a considerable number of large companies in South Africa, by our standards too, have been making tremendous inroads in trying to develop retail outlets, wholesale and so forth, in the black areas that has resulted in higher incomes for the blacks, and it has narrowed the gap considerably compared to what it was 10, 15 years ago.

Senator CLARK. I don't think it has narrowed.

Mr. STERN. Yes, it has.

Senator CLARK. Do statistics show that?

Mr. STERN. Yes, they do. I would argue if you take a look at the Central Bank statistics from the Reserve Bank of Africa, you will see that is the case.

Mr. THOMPSON. Proportionately, but not absolutely.

Mr. STERN. I don't know what that means.

Mr. THOMPSON. The dollar gap between earnings has increased.

Mr. STERN. The gap between earnings has increased. The percentage of total income in the country has increased relative to what it was 5 to 10 years ago.

Mr. THOMPSON. That is because more black people have been drawn into the labor market. But in any given industry there has been a slight decrease in the proportionate difference between white wages and black wages.

Mr. STERN. You have to be careful.

Mr. THOMPSON. An increase in the absolute difference. All the statistics I have which emanate from South African officials demonstrate my point.

Mr. STERN. May I say that one of the problems we have in getting those statistics as of the end of 1975 and later is because the country has been in a period of stagnation and the people who are most likely to become unemployed are the less skilled in the early stages of the recession. That is exactly what we find today. If you go back just to the end of 1974, you will see just the reverse is true. You have to be careful.

Senator CLARK. I have about 2 minutes left because we have another vote on. We have to end the hearing at that time.

I promised you, Mr. Thompson, you had some other comments generally, if you want to state them.

WHITE SENSE OF URGENCY/BLACK HOSTILITY

Mr. THOMPSON. I would say I disagree very much with what has been said about the lack among whites of a sense of urgency. It was said in answer to questions by Senator Biden, and he himself expressed the view there is no sense of urgency among whites in South Africa.

I disagree entirely. For example, coming on top of the events in Soweto, the recent strikes have created a sense of urgency among whites. So has the joining of colored youths in the protest activities; I think that this has been a profound shock for the white community

which has always assumed that the coloreds would come along with the whites anyway.

The other point is hostility. Modern studies of American slavery have shown that under those grossly unequal conditions that then existed in the American South, there was a capacity of the subject person to react in such a way to white people that he did not seem to be hostile. But, by God, he was hostile.

Furthermore, visitors to South Africa, who have never lived in South Africa and who move in fairly restricted circles during that relatively short time in South Africa, often find that the realities, especially the psychological realities, are not open to them. They cannot penetrate them.

In my judgment, the hostility that legitimately exists among black South African's is very great indeed.

Senator CLARK. You have about 30 more seconds.

Mrs. BAKER. Just let me endorse what Mr. Thompson said both about white urgency and black hostility. Having recently returned, I can say that my evidence is in total support of what Professor Thompson said.

The sense of white urgency is not as great as perhaps we might think it should be. But there is a lot of evidence that it is growing considerably, in such ways as whites leaving, for example, when the riots started. There are reports of, not massive, but significant increases of white emigration; whites holding onto U.K. passports; things like that. They are little insurance policies.

As far as black hostility is concerned, it is very difficult to get a hold on this. But I have had personal experiences which showed very, very deep black hostility against the whites in South Africa. It is repressed hostility.

They are not going to display it, unless the opportunity presents itself; they are not going to present this in an open way and risk getting detained or losing whatever benefits they have under the present circumstances. But the sentiment is there. If you press hard and get access, you can see the hostility is there.

I am in substantial disagreement with the picture of peace and harmony in South Africa.

SOUTH AFRICAN REVOLUTION

Senator CLARK. Do you think the revolution has started in South Africa?

Mrs. BAKER. No. I wouldn't go so far as to say the revolution has started. I think South Africa has come to a point where black nationalist resistance is growing more, with more internal unrest. It will take many years to change. But black resistance has entered a new stage. It has entered a stage in which black youths have become radicalized as no other generation of South African blacks has previously.

This is tremendously significant. They are politicized in a way blacks haven't been before. They have vocalized and demonstrated their views in an unprecedented manner.

Senator CLARK. I am going to give Mr. Stern 10 seconds. He is shaking his head.

Mr. STERN. We have to separate anecdotal evidence from broad, empirical study. It is not enough to be hit on the head as you walk out the door and then conclude everybody outside is your enemy.

The specifics we are listening to are very interesting. No doubt they would appear in newspapers and magazines in this country when reporting on what would take place in South Africa.

But when you go to South Africa, you live there for a while, talk to the people who live there, you get a grossly different impression.

Senator CLARK. Do you go to Soweto?

Mr. STERN. Yes. You don't get that impression there. You get different impressions in different parts of the country. There is no question about it. But the degree of hostility and turbulence, I was writing down adjectives: destroy, torture, and so forth; I don't know who they are talking about.

Mr. THOMPSON. There is a prison or two in South Africa.

Mr. STERN. How many people are in jail percentagewise? What are they talking about? Incidentally, they have a free press there that talks about it.

Senator CLARK. You have the terrorist acts and other acts where people are held without trial.

Mr. STERN. Yes, I do. Incidentally, I am against it. That doesn't mean it is the predominant point of view there.

Senator CLARK. You believe they are being used there, don't you?

Mr. STERN. Yes, I do. But the difference between small numbers and a predominant point of view, to focus on that as a reason for intervention of one form or another, the kind of thing I was listening to before, would misdirect our efforts entirely. I mean, that could lead them to the Soviet Union and not this way.

Senator CLARK. Thank you all very much. I think the testimony was excellent. I only wish we had about 4 more hours. Thank you very much.

We stand in recess until 9:30 next Thursday.

[Whereupon, at 1:25 p.m., the subcommittee was recessed, to reconvene at 9:30 a.m. on Thursday, September 16, 1976.]

SOUTH AFRICA

U.S. Policy and the Role of U.S. Corporations

THURSDAY, SEPTEMBER 16, 1976

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
SUBCOMMITTEE ON AFRICAN AFFAIRS,
Washington, D.C.

The subcommittee met at 9:45 a.m., pursuant to notice, in room 4221, Dirksen Senate Office Building, Hon. Dick Clark (chairman of the subcommittee) presiding.

Present: Senators Clark, Pearson and Percy.

Senator CLARK. The hearing will come to order.

OPENING STATEMENT

I prefer, for reasons that are clear to all of us, to move to the front page of the newspaper. I read here a Foreign Relations Committee International News Summary for this morning:

> Kissinger gets cool reception in Tanzania. Nyerere is less hopeful after talks but Kissinger treats that assessment as pessimistic and premature. He is in Zambia now. Later he hops to South Africa, where Smith may join the Vorster/Kissinger talks, according to The Washington Post and The New York Times.
>
> Second Soweto three-day strike ends. Scattered violence there. Cape Town work stoppage is on, but papers carry varying stories about its effectiveness.
>
> South Africa begins another mass removal of black tribesmen from a white area to a black. This time 45,000 move 35 miles to an area their chief says is uninhabitable.

This week, of course, Secretary of State Kissinger is meeting with African leaders in an effort to head off the growing likelihood or racial war in southern Africa.

We are holding hearings today to review the policies of the U.S. Government towards Africa over the past 6 years, policies which we feel may have—at least in part—contributed to the serious situation that the world faces in Rhodesia, Namibia and South Africa itself.

Secretary of State Kissinger has elected to play a highly visible role in trying to negotiate an accommodation between whites and blacks in Rhodesia and Namibia. Frankly, I have supported and continue to support these initiatives if, however, reluctantly. But we are not optimistic that they will be successful, and we are concerned that they may be misinterpreted.

The highly visible role that Kissinger has chosen is in stark contrast to the low visibility which the United States has had in Africa over the last 6 years. Until the Secretary's speech in Lusaka in April, we had played a relatively minor role in southern Africa, favoring

communication with the white states and encouraging dialog between whites and blacks in hopes of fostering a peaceful evolution to majority rule.

Needless to say, it is very difficult to offset 6 years of what I would call unwise policy with 5 months of what I would call a wiser policy.

The necessity of a more active role now is a reflection of the failure of our past policy. Our efforts to communicate were partially successful with the whites. They were successful in that U.S. investment increased in South Africa and trade flourished.

They failed in that they did not result in meaningful changes in the structure of the society which continued to restrict black rights and opportunities. And they were not balanced by simultaneous efforts to communicate with blacks.

The administration failed to communicate adequately in my judgment with the leaders of the black states in Africa or with those black leaders from white-ruled states who aspired to majority rule in their own countries, the policy which may well have been intended to appear even-handed, conducive to communication, dialog and peaceful change, was not effectively implemented. As a result, it was interpreted by many, both here and in Africa as a "tilt" favoring whites in Africa.

This perception has had implications, obviously, for our current policy. It has damaged U.S. credibility and our ability to serve as an honest broker of interests in the area.

U.S. policy for the past 6 years appears to have been based, according to National Security Council documents, in large part on an option which assumed that whites would remain in control in Africa indefinitely.

It underestimated black frustration and overestimated the willingness and ability of at least one white government—Portugal—to resist black nationalism. The option was opposed by some in the State Department, who nicknamed it the Tar Baby option—a policy so sticky that, once it had been adopted, the United States would be hard pressed to extricate itself, if it failed.

Secretary of State Kissinger's speech in Lusaka last April was an effort to separate, I believe, the United States from its Tar Baby policy. The success of his current iniatives will demonstrate the degree to which he is successful.

The failure of the Tar Baby policy has lead the United States to take a highly visible role, in a sense to compensate for its past policy. While we favor active U.S. participation in efforts to reach a suitable settlement in Rhodesia and Namibia, we are concerned that the visibility of U.S. involvement will greatly increase the possibility of misinterpretation of our motives and our objectives.

Whites in Africa are anxious to read any initiative by the United States as a sign of Western support for their situation. Blacks are suspicious of U.S. involvement because of our past policy.

It is important, at this time, that we define our objectives and limit our involvement in southern Africa and include participation by as many of those directly involved as possible.

In Africa, it must include discussions with leaders of the black states, with nationalist leaders and with those who oppose discriminatory government not only in Rhodesia and Namibia but certainly in South Africa itself. At home, it must include the Congress and the

public. Internationally, it must include the British and the United Nations, both of which have particular interests in the region.

Since April, we have been engaged in developing a new policy toward Africa. Even though that sentence in itself could be questioned, in my judgment we are. It is particularly appropriate, therefore, that we take time to review the factors that weighed on the development of our past policy, the process by which that policy was developed, where it succeeded and where it failed.

WITNESSES

We are fortunate in having with us today two witnesses, Roger Morris and Don McHenry, who were active participants in the development of that policy in 1969–70. They will comment on the circumstances surrounding the formulation of our policy towards southern Africa and the decisions which were taken to implement it.

They will also review how U.S. policy was perceived in Africa, and make suggestions for directions which U.S. policy might follow in the future.

They are joined by two experts in U.S. policy in the region: Drs. John Marcum and Edwin Munger. Dr. Marcum will comment on lessons learned from recent events in the region and their implications for future policy.

Dr. Munger will comment on U.S. policy and certain factors affecting events in the region which have been overlooked or misperceived by those making policy.

We are going to hear actually from each of the witnesses in turn, and then have the questioning. I know there are other members of the subcommittee who expect to be here very soon, but we will go ahead and hear each of the four witnesses.

First, Mr. Morris, then Mr. McHenry, Mr. Munger, and Mr. Marcum.

Roger Morris has a doctorate from Harvard. He was a former special assistant to McGeorge Bundy, and a former staff member of the National Security Council.

It is my understanding that in 1969 he was senior staff assistant to Henry Kissinger, responsible for Africa, and is credited at least by some with the development of all or part of NSSM [National Security Study Memorandum] 39, and more recently is a foreign affairs writer whose writings were published in a number of different publications.

Mr. Morris, I hope that everything I said about you is accurate. If not, you can correct me.

We have asked each of you to go for 10 minutes in any way you see fit. Let me say at this point that all of the statements in their totality will be placed in the record as if presented. You proceed in any way you see fit.

STATEMENT OF ROGER MORRIS, THE NEW REPUBLIC, WASHINGTON, D.C.

Mr. MORRIS. Thank you, Mr. Chairman.

I am submitting for the record my recent article, "Race War Diplomacy," The New Republic, June 26, 1976, which sets forth my views on the current state of U.S. policy toward the southern African crisis.

[The information referred to follows:]

[The New Republic, June 26, 1976]

Race War Diplomacy—South African Unmentionables

(By Roger Morris)

Among the news photographs of the Secretary of State during his recent trip through Black Africa, one symbolizes well the realities behind the diplomacy. Pudgy and sweating, Kissinger stands in a crush of costumed Masai warriors at a ceremonial dance in Kenya. The smile or the sober earnestness he usually wears has now deserted him for a countenance of visible confusion and discomfort and a trace of menace. He seems pained to face what is about to happen.

Kissinger's trip was designed to repair the badly tattered U.S. position in Africa after the debacle in Angola. From the fall of the Portuguese territories came a new wave of black insurgency that seemed certain to engulf the white minority régime in Rhodesia and ultimately undermine the bastion of racial repression, South Africa. The relentless process was armed and exploited by the Soviets while Washington appeared indifferent, or tacitly on the side of the doomed white régimes. Thus the Secretay's ringing speech in Lusaka, Zambia on April 27, He warned the Rhodesian government to negotiate a majority rule settlement within two years; there will be no prospect of U.S. help to preserve them in the meantime. On South African issues he urged a "definite timetable" to end the long outlawed occupation of Namibia (Southwest Africa), and promised the U.S. would "exercise all its efforts" to persuade South Africa peacefully to end *apartheid* and move toward "equality of opportunity and basic human rights."

Predictably, the speech drew extravagant praise from several quarters, ranging from black African leaders to the Senate Foreign Relations Committee (where Senator George McGovern (D, S.D.), not usually an admirer of the Secretary, pronounced it "historic"). Kissinger also got prior approval from the congressional black caucus for his recently announced meeting with South African Prime Minister John Vorster later this month in Germany. "Responsible statesmanship," one caucus member said of the Vorster talks. which he almost certainly would have denounced a few weeks earlier. It was all very different from the chill of last winter when the same groups had accused the same Kissinger of tragic folly in his Angolan policy.

Yes despite the self-congratulation in the State Department and Congress, the realities of American foreign policy and the crisis in Southern Africa were unchanged and the root issues were unmentioned. U.S. policy is still largely rhetoric, our diplomacy lacking both the will and the ability to take measures that would genuinely affect the current descent of the region into violence or truly change our position there. No one seems able to confront the worst, and perhaps most likely, possibilities: neither swift collapse nor negotiated settlement, but rather a long and savage race war in Southern African; its release in turn of a still strong and thinly-hidden racist impulse in the U.S. Congress and the country; and the wider, potentially ominous impact of bloody black-white warfare brought before the American public in living color, with incalculable implications for our own domestic peace. As Kissinger and his new liberal constituency practice the conventional politics of congressional currying and diplomatic posturing, Southern African threatens to become a foreign policy issue unlike any other in recent history, and the most divisive since Vietnam.

Vacillation and hypocrisy trace a long history in U.S. diplomacy toward the Southern African problem. Through the 1960s the public face of the Kennedy and Johnson administrations was to deplore the racist régimes at regular intervals at the U.N. and elsewhere while doing discreet business with them on the side. The most visible presence was more than a billion dollars in corporate investments in South Africa, which allowed U.S. firms like General Motors and Coca Cola to practice petty *apartheid* for substantial profit. Behind the scenes the CIA subsidized black guerillas while maintaining intimate liaison with the white security services, NASA ran a Jim Crow tracking station in South Africa for moon shots, and the State Department loudly championed Rhodesian sanctions as it quietly winked at enterprising African clients like Zambia, Zaire and Tanzania that wantonly violated the embargo themselves.

The fraud only became more blatant when the Nixon Administration adopted early in 1970, after a tortuous nine-month bureaucratic policy review, the notorious "Tar Baby" option, which called for a "partial relaxation" of the pressures, such as they were, against the minority régimes. Ironically, the original

intent of "Tar Baby" (as it was christened by a bureaucratic opponent) was much the same as its harshest congressional critics now seem to support in the Kissinger-Vorster meeting. Its premise was that historically the repression by the white minorities had only hardened with their ostracism, and that dialogue and contact with the outside world, including economic modernization, might work to expose, weaken and eventually destroy by peaceful evolution the evil absurdities of racism. But the subtle balance between influence and acquiescence in such a course proved too much for the Rogers State Department to which Nixon and Kissinger readily left African affairs. The strategy swiftly degenerated into a mere mask for more business-as-usual with the whites, including the sale of military aircraft and the breach of U.N. sanctions in the import of Rhodoesian chrome.

It was from this policy and the joint U.S.-South African support of the losing Angolan factions last winter that Kissinger's Lusaka speech ostensibly rescued American interests. But nothing meaningful has changed. Policy has always oscillated between expedient coziness with the whites and ritual responses to African client pressures, with no real diplomatic alternative to the coming violence, no concrete plan for a peaceful settlement, in either emphasis. Kissinger's Lusaka timetables are tougher than past rhetoric, but hardly more creative. "It's as if we just announced to the Arabs and Israelis they had six months to settle the West Bank issue," says one skeptical official who accompanied the Secretary to Africa, "and then pretended we had dealt with the Middle East."

There are dramatic measures Washington could take to stand clearer of the white states and also signal them that the new policy is more than common verbiage. Most telling of these would be a public announcement to U.S. firms in South Africa (among them are the top 20 defense contractors) that Washington will no longer condone their petty *apartheid* discrimination, under possible penalties in government contracts similar to those now applied to violations of the Equal Employment Opportunity Act in the United States. Legislation to this effect by Rep. Charles Diggs (D, Mich.) and others has languished for years in Congress, but Executive action for the time being could at least attempt moral suasion of the corporations if not sustain enforcement. The political impace at this juncture inside South Africa, though it would not be technically an act of one government against the other, could be significant. Moreover, any economic tightening against their patron South Africa would be a powerful sign to the Rhodesians—given the U.N. sanctions relatively immune from further financial pressures—that Kissinger's words in Lusaka were indeed serious. Yet officials stress that the preparations for the Vorster talks and policy planning for Southern Africa are "nowhere near" such steps.

The Ford Administration could produce a similarly tangible disengagement simply by stopping the current CIA and Pentagon liaison relationships with the South Africans, ties that not only identify the U.S. with the racist régimes but also often make our intelligence hostage to the biased reports of the white services. In the past, say many officials, that dependence has made for wide distortions in Washington's analysis of the strength of black liberation groups and the degree of Soviet influence, factors that will be increasingly crucial as the war grows in Southern Africa. Here, too, however, sources close to policy discussions are unanimous that the old and quiet relationships will remain despite Kissinger's hard talk for public consumption in Africa. CIA Director George Bush is said to oppose strongly any change in the Agency's working routine in Southern Africa, "as much for bureaucratic moral reasons as for policy," says one source. The Pentagon, meanwhile, has reportedly sent to the White House at least one memorandum arguing the heightened importance of military "access" to South Africa in light of new Soviet influence in Angola and Mozambique. "They make the Indian Ocean-oil-strategic sealanes argument," says one NSC aide. By the logic of bureaucratic missions in Washington if not the national interest, the current crisis in Southern Africa has apparently brought a stiffening of those very contacts with the whites that should have been the first to disappear under the Lusaka doctrine.

The best justifictaion for this continued backstairs complicity with the South Africans would be, of course, an authentic U.S. mediation between black and white, requiring compromising interests on both sides. Again there is no evidence that a serious effort of this kind is underway. Even if there were, the prospects would be bleak for reasons that go deep into both the problem and the limits of American diplomacy. The issues in Southern Africa are inherently domestic

questions, basic matters of political and social conflict that will require, if they are to be settled short of a war, an acute sensitivity to the history, fears and interests on both sides as well as their relationships with one another. But that sensitivity and sophistication about the protagonists—which U.S. diplomacy readily presumes necessary in an area of conflict like the Middle East—has been and remains a fatal flaw in policy toward Southern Africa. In a client-obsessed State Department bureaucracy, which has long regarded diplomatic service in the white-ruled countries with a cryptic suspicion, which has deliberately refused to post such officers again elsewhere in Africa or sometimes even in the African Bureau in Washington, there is little or no cadre of seasoned and current expertise on the white states of the sort the Foreign Service can summon in almost any other area. The problem belongs to the frequently bizarre bureaucratic sociology of Foggy Bottom. But its diplomatic effects are very real. The 1969 policy review was largely conducted by Foreign Service officers who had never heard of major events in South African or Rhodesian history, from the founding of the Cape Colony to the Zulu War and the Shangani Patrol. By several accounts, the briefings for Kissenger's June 23–24 talks with Prime Minister Vorster are likewise being prepared by officers whose main experience and training is in Black Africa. Once more, it is as if Washington approached the complexities of Middle East shuttle diplomacy with position papers written solely by Arabists.

But the ineptness of U.S. policy is insignificant beside what is likely to happen in Southern Africa over the next few years without some sort of peaceful settlement, and the effects of those events in the United States go well beyond the State Department. In South Africa, some 4.5 million whites, many of whom trace a history in the land longer than the 20 million blacks, possess a modern military and scientific machine. They face a black population massed in urban and rural slums far separated from white communities. Even in Rhodesia, where the ratio is a much greater 5 million blacks to 270,000 whites and the black population is less regimented and isolated, the regime commands a well armed and still highly motivated military force whose white members are often third-and-fourth-generation Rhodesians. On the other hand, the modern cities of the white states are vulnerable to urban terrorism, and the isolated farms to guerrilla attack. The vast black majorities, in fact largely apolitical, will be to the terrorists and guerrillas both refuge and expedient target, to the beseiged whites a sinister, eventually hostile presence, much as the Vitenamese were to U.S. troops. No palpable chance for compromise on eiher side can be felt. Black liberation groups remain adamant in their demands for majority rule. The Rhodesian régime has no significant white opposition to its militant resistance. Despite some growth in the small opposition Progressive Party, the governing Nationalists in South Africa remain firmly in power. In short, there are in Southern Africa all the ingredients for a protracted and ruthless war, reminiscent of Vietnam, Northern Ireland, Lebanon.

The question no one is willing to ask—fashionable as Southern African issues have suddenly become in official utterances as well as in the press—is how that kind of race war, the first of such magnitude and potential, might strike the United States. The storm raised by Kissinger's African trip and speech in President Ford's primary campaign against Ronald Reagan may be only a hint of the reaction. As it was, Ford felt obliged on at least two occasions, to Alabama newsmen and in a Nebraska rally, to pledge that the U.S. "would not be a party" to any outcome that did not guarantee white minority rights, and that we would act to "protect" those rights, though he would not elaborate how.

Faced with a full-scale guerrila war in Rhodesia or frequent terrorist bombings in South Africa, the administration would almost certainly begin to encounter the racist pro-white sentiment that lies so close to the surface in the Congress and that helped pass and preserve the Byrd Amendment exempting Rhodesian chrome from U.N. sanctions. Few congressmen will talk about the transfer to surrogate foreign policy issues like Southern Africa of prejudices and fears that their colleagues can no longer respectably or safely express in domestic issues, particularly where black votes hold the balance in congressional districts. But several, white liberals as well as black members, believe it is there—one of the unacknowledged inner festerings of American politics. It would still be relatively easy to cloak those feelings on Southern Africa by appeals to humanitarianism, to strategic interests, to merely opposing the Russian. But whatever the tone of the debate, however legitimate any or all of the arguments, it will be naive and dangerous not to expect that a race war in Southern Africa will evoke

a reaction from Congress far out of proportion to its basic foreign policy significance.

The more frightening and still more unmentionable subject is how the rest of us will respond to these distant events that could awaken racial fears and resentment now buried or deflected in our society. If it happens, this is almost certain to be another television war, reaching across living rooms with an immediacy and relevance we have not experienced since U.S. troops were heavily engaged in Indochina. But it will be different too. There in the battle, as an ABC report from Rhodesia showed not long ago, will be the classic stereotypes of racial bigotry and antagonism. It will not only be the hardened white soldier, but also his blonde wife and tow-headed children, speaking English, dressed in jeans, and living in a city that looks like Chicago or Atlanta, or on a farm that could be in California or Ohio. And relatively unseen, as guerrillas and terrorists and muzzled, repressed populations always are, will be the black mass, with its feelings and sufferings probably less reported and understood. It will be seen as an alien force, increasingly synonymous with the wreckage the war leaves behind for the camera.

In an extraordinary way the Southern African crisis may bring together a number of forces we have not learned to control—the random emotional power of television news, the white racism uncurred by a decade of civil progress, the black rage still coursing beneath poverty and discrimination, the immeasurable psychological scars and parlysis of will following the Vietnam defeat.

Race war in Southern Africa may of course be one of those disasters, long-predicted, that never quite hapens. Africans have a heartening history of their own ingenious and compassionate settlements of seemingly irreconcilable quarrels. There is the precedent, for example, of the preservation of white rights in Kenya after the Mau Mau or the largely untroubled reunification of Nigeria and Biafra. But there is also a history of genocide and savagery, some of it in both sides in Southern Africa.

At any rate, the Ford administration, like Secretary Kissenger at the Masai dance, seems caught in a situation from which there is no ready escape. For the most part incompetent or unwilling to deal with the problem as effectively as possible abroad, they have also refused—which is not surprising in an election year—to face its possible implications at home by preparing public understanding of what could lie ahead. Nor is there much hope a Democratic régime would do better, staffed, as it almost certainly will be, by many of the same men who presided over the drift of Southern African policy in the '60s.

I might also refer the committee to earlier articles I wrote about the Angolan debacle in The New Republic last January and in the February issue of The Washington Monthly.

As a result of that recent writing, and to enable the committee to move as rapidly as possible to matters that concern it most, I want to be very terse in this opening statement.

Let me add there, Mr. Chairman, I do agree substantially with your appraisal of American policy as you made it in your opening remarks.

A brief word about my background, and particularly my experience in this problem. After a Ph. D. at Harvard, including a year as an exchange scholar in the Soviet Union, I joined the Government in 1966. I was briefly a Foreign Service officer on the staffs of Secretary Rusk and other senior officials.

In 1967 I became special assistant to McGeorge Bundy during his consultancy to President Johnson on the Middle East war; I stayed at the White House to work on Walt Rostow's NSC [National Security Council] Staff from the autumn of 1967, associated with Edward Hamilton, who was then senior staff member in charge of African affairs.

I took over Hamilton's African duties in the summer of 1968 and continued until the end of the Johnson administration.

Henry Kissinger hired me to be his senior staff assistant for Africa late in 1968 and I worked on Africa and a number of other matters at the NSC until I resigned on the eve of the invasion of Cambodia in April 1970.

Since then, from 1970 to 1972 as a legislative assistant to Senator Walter Mondale, and later as a writer on foreign affairs, I have continued to follow closely the course of U.S. policy in Africa.

I was indeed a major participant in the policy process which followed the assignment of NSSM 39 in April 1969 and led to the Presidential decision on policy in January 1970 after an NSC meeting on the subject the previous December.

Following January 1970, however, I was not directly involved in African affairs and thus had no direct experience with the ensuing execution of the policy flowing from NSSM 39.

In plainer language, Mr. Chairman, I was certainly responsible in large measure for the formulation and adoption of the now notorious "Tar Baby Option" in American policy, though having no role in how it was subsequently carried out [if in fact it was ever carried out as it was formulated].

And in any event, I want to assure the committee of my complete candor in discussing any aspect of that policy—its intellectual origins, its bureaucratic course, its relevance to Secretary Kissinger's current efforts, its demonstrated folly in which I share amply—which the members may wish to explore now or later.

In that respect in particular, I think the committee will find that not even our mistakes in this problem have been quite as simple as they may have seemed, the heroes and villains quite so plainly drawn, or the moral quite so easily applied to the present and future.

SIGNIFICANT FACTORS IN NSSM 39 FORMULATION

This morning I simply want to pose very briefly three factors which were significant in the making of Tar Baby and NSSM 39, factors which still very much haunt American foreign policy because they are not the result of any single policy or administration, but rather of profound, bipartisan flaws in the organization and conduct of our diplomacy.

I hope my mention of these factors here will provoke the committee to pursue them in detail in later discussion this morning and, indeed, in further hearings.

The first of these elements is what I shall generously call bureaucratic disarray. Tar Baby was born amid a parochial, fragmented, client-obsessed bureaucracy that had not had a coherent policy toward southern Africa for a decade, and as it turned out, no prospect of having such a policy, whatever its purpose.

Let me clarify here that NSSM [National Security Study Memorandum] 39 is simply the request of the bureaucracy to produce a policy review. The document which has been recognized, that is his final response to NSSM 39, is technically just that, a response. The NSSM is no more than a request for a study.

NSSM 39 was assigned at my recommendation by Henry Kissinger and President Nixon not only because the administration was at that

point routinely reviewing all major policies, but also because southern African policy in the closing years of the Johnson regime had simply ceased to exist.

All the operational decisions addressed in NSSM 39, from Rhodesian chrome to ship visits to arms sales, and so forth, had been passed on by a Democratic administration unable or unwilling to come to grips with the issues, or more formidable in some ways, the chaos in its own ranks.

Put briefly and bluntly, the State Department wanted little more than to keep its black African clients from becoming restless, the CIA [Central Intelligence Agency] wanted to continue its cozy liaison relationships with the white security services, NASA [National Aeronautics and Space Administration] wanted to keep its Jim Crow tracking station in South Africa, Commerce wanted as usual to soothe its own business clients anxious for profit, the Pentagon wanted to keep its ubiquitous access in southern Africa as everywhere else, and the White House wanted in its customary distracted way to keep the lid on it all to avoid needless political damage.

As you know from NSSM 39 and various accounts of it, the recommendation of the bureaucracy, primarily the State Department, was to continue this policy, that, I think, is option 3 in the document that is now public—to cloak it as always in comfortable rhetoric and posturing, but essentially to continue business as usual.

It was a position based in many cases on an appalling ignorance of southern African history and politics by some of the senior officialdom of our Foreign Service. As I have related in the articles cited above, the writing of NSSM 39 took place with officers who had never even heard of major events in South African or Rhodesian history, from the settlement of the Cape Colony to the Shangani Patrol or Zulu war.

It was reminiscent of nothing so much as the blissful ignorance of American officialdom dealing with Vietnam in the 1950's and onward. In the end, however, the bureaucracy did prevail as usual, its ignorance and parochialism no disability compared to its sheer staying power, and in most respects, in terms of what really matters in foreign policy in this problem, the course pursued by the United States from 1970 to 1976 was a logical extension of what came before.

Certainly Tar Baby, with its avowed effort to reduce pressures such as they were on the white states and encourage racial moderation by diplomatic means and expanding contacts, was a flawed concept in many ways, ways which I will be glad to explore with the committee at greater length in the hope of avoiding similar mistakes in the future.

But I think perhaps its greatest single flaw was the assumption that it could be conducted, that any reasonably consistent, purposeful, and occasionally even subtle, policy could be conducted by the largely chaotic and incompetent bureaucracy which runs our African affairs.

No probe of NSSM 39 can ignore that this same bureaucracy with the same crippling approach and interests is still intact in the U.S. Government, and that it stands to mock even the most creative efforts made by the Secretary of State and the Congress in this current crisis.

The second major problem in our policy, however, was an equally damaging role played by the White House, and again, though I deeply

disagreed with Messrs. Kissinger and Nixon in many ways and resigned in both a personal and policy revulsion at their administration, I want to make clear that I accept my share of responsibility as an involved official for this and other aspects of what I am suggesting.

For if the bureaucrats were behaving like bureaucrats in 1969–70, if they were maneuvering, evading, fuzzing, lying to themselves and nearly everybody else in the process, ignoring the longer view, and generally worrying about how to cover tracks, their anarchy was largely possible only because it was mirrored in a sense at the top.

The Nixon White House operated with both an abiding contempt for open policy processes and a thin veneer of racism. As the Johnson administration before it, it was often reckless, inconsistent, distracted.

At the same time, however, Kissinger and Nixon could also be remarkably sophisticated, knowledgeable, and concerned about southern African problems. It is this haunting duality—and I should also add paradox—that mocks so many simple-minded accounts of White House policy in this area and others, and it gave, on some occasions, both Kissinger and Nixon a transparent superiority over their Cabinet colleagues who were willing prisoners of even narrower, less informed interests.

It was Henry Kissinger, for example, who made to the President at the December NSC meeting the most forceful presentation of the moral and domestic political factors in southern African policy and thereby a powerful argument for disengagement from the white states, a disengagement from which even the more righteous souls in the State Department quickly shrunk.

And of all the participants at the highest level, Nixon and Kissinger were for all their faults far and away the most prepared, to the point of the President correcting the CIA Director in his briefing to the NSC—which was, as not uncommon, studded with errors.

But of course these fleeting virtues did not rescue the Government for long, or with any consistency. Though I urged Tar Baby, because I believed it was the only chance to carry on constructive American diplomacy, to deal with the evil and dangerous absurdities of racism in southern Africa, my impression is that my superiors adopted it as much because it was not, whatever it was, what the hated bureaucracy wanted, or at least seemed to want.

As it developed, the committe well knows, the White House simply surrendered any policy judgment after that to a series of expedient moves to mollify and in some cases to enrich various special interests at the expense of the national interest in the region. And until the debacle in Angola last winter, the cost as usual was altogether bearable for everybody.

That brings me to my final point, and perhaps the most embarrassing in this setting. I mean the parallel incompetence, distraction, and ignorance of the Congress, press, and public in this whole problem.

Without belaboring the details of events and personalities, Mr. Chairman, it is enough to say that policies like the shambles in southern Africa survived for years amid a somewhat justified contempt in the executive—at least an indifference if not full contempt—for the

committees of the Congress and the Congress at large with respect to Africa.

No one really seemed to care about serious policy here on the Hill, and those who made the pretense were either quickly discovered to be uninformed, and thus no threat to business as usual, or were simply co-opted in the habitual manner.

While Tar Baby flourished after 1970, for example, the leading congressional "monitors"—the quotation marks are necessary—were, because of their position on other issues such as Vietnam or because of their on-again, off-again interest, considered by many in the executive as little more than pushovers.

It was the price paid by the Congress for too many soft confirmations, too many missed questions, too many cozy briefings and junkets, too many cases in which interest flagged, the speech was made and the issue dropped for something else, too many demonstrations that the Congress does not have the staying power in foreign policy—and that therefore it does not care.

I hope that is changing, and the work of the chairman on Angola and other issues is a very hopeful departure from the usual practice. But as the Chair knows in utter candor about this committee and others, about the Congress as a whole, we have a long way to go even with the scarring lessons of the last decade so vividly before us.

SHAPING FOREIGN POLICY

As I said at the outset, I hope these remarks, however brief and incomplete, will prompt further discussion of the decisive factors inside the Government which shape foreign policy.

All the problems I describe are still very much with us. Right now, for example, Secretary Kissinger is beginning negotiations as sensitive and complex as any in his experience with a divided bureaucratic house in Washington and comparatively little genuine expertise or objectivity among his underlings. The prospects are not good, to say the least.

But I continue to believe, Mr. Chairman, however cynical my view becomes at times, that we have to try again, that we have to try to reach behind the hate and fear and embittered history to stave off the incredible bloodshed that could come to that area and could haunt our own, still racially torn society.

For the ultimate indictment of any policy, Tar Baby or its successor, would not be that it was expedient or mistaken, but that it did not make an effort for peace.

Thank you.

Senator CLARK. Thank you very much, Mr. Morris. I compliment you on your candor and your clearness. It is a most refreshing statement and most useful to us. I must say I find your statement quite convincing.

Don McHenry is our next witness. He is a former Foreign Service officer. In 1969, I believe he was assistant to the Counselor of the State Department.

He is now with the Carnegie Endowment for International Peace, and has done a careful study on Africa. We are very, very pleased to have him here and ask you to proceed in whatever way you wish.

STATEMENT OF DONALD McHENRY, CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE, NEW YORK, N.Y.

Mr. McHENRY. Thank you, Mr. Chairman.

As you know, I appeared before this committee last year.

Senator CLARK. Yes.

Mr. McHENRY. At that time, I did make a detailed analysis of NSSM 39 and some of the reasons why I believed that the policy was wrong.

I should be quite candid about my own participation in the development of American policy during this period of time. In 1969, I was special assistant to the Counselor of the State Department, a position which I retained until I went on leave in 1971.

Senator CLARK. When did you leave in 1971, Don?

Mr. McHENRY. The spring of 1971. I went on leave to the Brookings Institution, where I remained until 1973, at which time I resigned from the State Department and joined the staff of the Carnegie Endowment.

I think it is well known that I opposed very strongly and very firmly the adoption of what is now called the Tar Baby policy. I opposed it because I believed that precisely what happened would happen.

I must say—and we can get into this later—I opposed it for reasons which differed somewhat from those which Roger has given here.

I do not believe that there was chaos when the new administration came into office. I think it was simply the fact that the bureaucracy, all over town, saw a new administration and the inevitability of a new policy. All who had lost out in their efforts to get pet ideas adopted and had had them rejected by the Johnson administration saw a new opportunity for a review.

Tar Baby resulted in the adoption of almost every one of those rejected proposals.

If I may, as I said, I would be glad to come back to a discussion of that point.

Senator CLARK. We may well do that.

FOREIGN POLICY PRIORITIES

Mr. McHENRY. It is no secret that Africa has long occupied the unchallenged position on the bottom rung of the Secretary of State Kissinger's foreign policy priorities. Therefore, there ought to be a great deal of elation among Africans and among those persons who are interested in Africa now that Mr. Kissinger is devoting his considerable time, attention, prestige, and talents to the smouldering problems of South Africa.

Instead, there is a large measure of wariness and suspicion about Mr. Kissinger's motives, methods, and goals. And I must say there is also suspicion about the motives, methods, and goals of the United States, as Mr. Kissinger represents the United States.

There is in fact some concern that far from making the situation better in southern Africa, the Secretary may leave the situation worse.

HEARING PROCEDURE

Senator CLARK. Mr. McHenry, because there is a vote on, I would rather not divide your testimony any more than I have to because I am particularly interested in what you have to say here at the outset of the Kissinger trip and its meaning.

Since there are no other members of the subcommittee here, I am going to recess for about 7 or 8 minutes, run over and vote and come right back so we won't chop up the testimony so much.

We will stand in recess until another member of the committee arrives, or until I return.

[A recess was taken.]

Senator CLARK. I guess it was a false alarm. We don't have a vote on.

We will continue. Will everyone take their seats, please?

KISSINGER MOTIVES, METHODS, GOALS

You were just saying, Mr. McHenry, that there is a large measure of wariness and suspicion about Mr. Kissinger's motives, methods, and goals.

Mr. MCHENRY. The wariness, of course, stems from past misguided U.S. policy toward southern Africa, the policy laid down in the still secret but widely available National Security Study Memorandum, No. 39, particularly option 2 which Mr. Kissinger recommended and a similarly inclined President Nixon eagerly adopted.

I do not wish to go into a full analysis of that policy especially since I did so during an earlier appearance before this committee. But for purposes of analyzing present policy, it is worth noting three characteristics about the development of NSSM 39.

LACK OF CONCERN FOR AFRICA IN NSSM FORMULATION

First, there was an evident lack of concern for Africa itself or for the just cause of suppressed black majorities in southern Africa. Where awareness was present there was a tendency to subordinate African rights and even our own long-term interests in Africa to what are called our global interests.

We seemed to be saying, rather cynically, that although their grievances were just, the black African majorities were not strong enough to redress those grievances themselves or indeed to do anything to us if we sided with the white minority governments and looked after our own narrow, economic, military, and social interests.

SECRECY OF NSSM ADOPTION

Second, it was a policy adopted in great secrecy. Next to the Pentagon Papers, NSSM 39 is probably the most widely circulated of our classified documents. Yet, at the time President Nixon directed implementation of the shortsighted recommendations of the policy widely referred to as "Tar Baby," there was a great effort to keep the new policy secret, even from those within the Department of State concerned with Africa, lest they and the public oppose the new policy.

Third, Tar Baby represented the heavy influence of those who had no expertise in African questions. Their views on developments in southern Africa carried less weight than the views of those within our Government who were interested in selling airplanes, buying chrome, renewing military contacts, or retaining a tracking station in South Africa.

It was this group which so erroneously questioned "the depth and permanence of black resolve" and concluded that, and again I quote from NSSM 39: "The whites are here to stay and the only way that constructive change can come about is through them."

I might add a fourth concern which was not present in NSSM 39, and that was concern about the United Nations. It is remarkable how little concern was shown about the United Nations in southern Africa.

KISSINGER ANGOLA POLICY

The Secretary's policy in Angola had many of the same characteristics of NSSM 39. The Angolan policy was also adopted in great secrecy; with obvious disregard for the views of those experts within the Department of State who saw the policy as unwise and misguided.

The Angola policy was also implemented with our so-called global interests in mind. Only when that policy lay in ruins, only when as you put it, Mr. Chairman, the Secretary was saved from himself, and it became obvious that the Communist influence which Kissinger sought to stop, might grow and prosper so long as, whatever their ultimate motives, they worked for racial justice, only then did the United States announce a new policy.

We now wished to be on the side of right and justice and motherhood. We became greatly concerned about the plight of the white minority though we had previously been callous about the plight of the black majority. Thus the Secretary of State began in the spring of this year the extraordinary efforts which we have come to associate with his policies once a situation merits his attention.

When he announced his new policy at Lusaka earlier this year, the Secretary suggested that no useful purpose would be served by recrimination over the past. That may be, although I doubt that history or the Africans with whom Mr. Kissinger must currently negotiate will dismiss our past policies so easily.

PRESENT POLICY APPROACH

My concern in recalling the past arises from the marked similarity between the approach to Tar Baby and the approach to the current new enlightenment.

First, the Secretary continues to operate amidst great secrecy. Some secrecy is important in the world of diplomacy, though on the basis of my own experience with the State Department, I do not believe it is nearly as important as we have made it.

In any event, so closely held are the current negotiations that I doubt that even the intelligence analysts in the State Department or in CIA, for that matter, could give a complete analysis of the situation. Before the press conference held shortly before the Secretary's de-

parture last week, we knew only what we were told by the mysterious "senior spokesman" aboard the Secretary's plane.

Apparently there is an effort to develop a $1 billion to $2 billion package to insure Rhodesia's whites against the loss of the spoils of their exploitation.

Second, because he does not trust their discretion or respect their advice, or both, Mr. Kissinger ignores—and in one case has removed—those within his own department who have expertise on southern Africa.

Third, though he has now spoken out forcefully in favor of the black African cause, the Secretary seems far more concerned with stopping communism in southern Africa than with resolving the racial problems which might provide the basis for Communist influence.

Some may ask what difference does it make that the Secretary's motivation is stopping communism and not racial justice.

My concern is that, just as the Secretary was content to accommodate the white states in the belief that doing so served our global interests, just as in pursuit of global interests he was willing to aline the United States with apartheid South Africa in the internal struggle in Angola, he may also be willing to stop short of racial justice, indeed, to help erect a new status quo in which white-ruled South Africa stands as a "pariah state" in the eyes of its neighbors who, however, are unable to mount the necessary political or military actions to bring it down.

U.N. ROLE IGNORED

Finally, there is a fourth characteristic which was present with Tar Baby. In his briefing before the press on Saturday in Washington and in his briefing in Zurich, the Secretary paid absolutely no attention to the role of the United Nations.

Only when asked by an inquisitive South African reporter at Zurich did he address that question at all.

I fully support the effort to resolve first the problems of southern Rhodesia and Namibia. As complicated as they are, they nevertheless present fewer problems than does the question of apartheid in South Africa.

Southern Rhodesia and Namibia are the immediate location of cross border fighting. On them there is a clear record of previous concerted international action.

RESPONSIBILITY WITHIN INTERNATIONAL COMMUNITY

Finally, there is a greater acceptance of responsibility within the international community.

That having been said, Namibia and southern Rhodesia are part of a single complex whose major characteristic and objective has been the maintenance of white minority rule. At the center of that complex is South Africa. She stands there, rigid and uncompromising, determined to maintain white domination, even if it means independence for Namibia and southern Rhodesia, even if it means carving up South Africa into a series of impoverished and dependent states, and even if it means concessions on so-called petty apartheid.

Just as a pilot jettisons his load in order to stay aloft, so South Africa is prepared to make all these changes and even more in the mistaken belief that it will protect white rule.

We would, I believe, be making a serious error if we interpreted any of these actions as signs of South Africa's acceptance of racial equality. Mr. Vorster said as much last week while conceding further procedural changes to South Africa's "coloreds."

He is correct, of course. He knows that not one of the much heralded concessions of the last several years has resulted in a single change in the structure of apartheid.

We would also make a serious error if we do not approach Rhodesia and Namibia as South Africa does—as a part of an elaborate effort to protect South Africa. Only then, for example, do we assure ourselves that in our zeal for peace and the establishment of moderate governments we do not end up taking sides among the contending African groups.

That was our policy and South Africa's policy in Angola. That approach may serve South Africa's interests, but I doubt that it serves American interests.

U.S. SENSITIVITY TO SOUTH AFRICA'S ROLE AS ROOT OF PROBLEMS

I regret to say that we do not now appear in the current negotiations to be as sensitive to South Africa's role as the root of the problems of the area. At his news briefing prior to his latest African trip the Secretary was asked pointedly:

> Mr. Secretary, do you think any arrangements you can help to make to resolve the problems of Rhodesia and Namibia can have any lasting relevance and stability in a region where the strongest nation, South Africa, is saying through Prime Minister (John) Vorster that they intend to preserve their system of white rule?

Mr. Kissinger's response was at once evasive and enlightening. He said:

> The solutions to Rhodesia and Namibia, if they can be achieved, can have a lasting character.
>
> The purpose is to enable a transition to independence in Namibia and to majority rule and protection of minority rights in Rhodesia under conditions that will enable all the communities to live together and in which the bloodshed is put to an end. The conidtions in South Africa are more complicated and require a much longer time span for their evolution.

To be sure, the Secretary has publicly criticized apartheid and recognized it as a problem which ultimately must be resolved. He undoubtedly will meet with black African leaders—those few who are not in jail—during his visit to South Africa.

But what counts is what he tells Mr. Vorster and how we act. It would be most unfortunate if privately Mr. Kissinger and Mr. Vorster follow a brief routine exchange of views on apartheid with an exchange of understanding winks of the eye and then proceed to discuss Namibia and southern Rhodesia, as if the South African question were not a part of the whole problem.

South Africa is willing to see movement on Rhodesia and Namibia in order to relieve external pressures on South Africa. At the same

time, South Africa faces the most serious internal pressures since Sharpeville.

I do not expect that we will see any dramatic structural changes in the near future. Yet continued and vigorous black protests—protests which transcend racial groups—in South Africa are a sign that new levels of pressure have been reached.

No one knows when the next level will arise or whether they will be more serious than those since June. We do know that South Africa is finding it more difficult to suppress the current protests than the protests of the early sixties.

Then protests were organized, leaders clearly identifiable and jailable. The current protests of schoolchildren and youth with adult support are more difficult to put down. They are more comparable to the Rosa Parks phenomena of Montgomery.

The South African Minister of Justice noticed this point last week. During the height of the Soweto turmoil he expressed his frustration when he noted that there were no leaders and that the protests continued despite numerous arrests.

U.S. POLICY CONSIDERATIONS

What should American policy be now that South Africa faces combined internal and external difficulties?

First, we should be careful that we do not confuse South Africa's interests with our own. South Africa's interest is in removing the threat which violent change in southern Rhodesia and Namibia may have for South Africa.

South Africa's interest is in insuring that any new governments in southern Rhodesia and Namibia are so structured as to minimize the ability of those countries to support attacks on South Africa.

South Africa's interest is in buying time to strengthen her already heavy economic interdependence with surrounding black African states and to extend that interdependence further north.

South Africa's interest is in gaining as much identification with the United States and other western countries as possible, to enlist our support in the guise of anti-communism. Internally, South Africa's interest is in buying time, time to implement the Bantustan policy and to make whatever other minimal changes which might be necessary to appease those blacks who would remain a part of South Africa even under separate development.

American interests, African interest, and I believe black and white South African interests are served by rapid and cooperative progress, if you will, all deliberate speed, toward racial equality in all of South Africa.

If it is in our interest also to stop communism that is best served by change. If we have an economic interest that, too, is best served by change in South Africa.

We want peaceful change in southern Africa but as long as South Africa does not make the necessary commitments to racial justice, I doubt that the cause of peace will be served if we do anything which delays the inevitable conflict. That is a harsh judgment and difficult to understand in a young nation that has grown old and conservative

only 200 years after its own resort to force to achieve its own independence.

Second, we should be especially careful that we do not, as in 1960 after Sharpeville, merit renewed African criticism as the result of the provision of assistance by American financial institutions.

The government can take the lead by setting an example. To be specific, it is the height of folly that the U.S. Export-Import Bank should continue to guarantee against political risk sales to a country whose political structure is so racked with political dissent that, as Secretary of State remarked at Philadelphia in his Urban League speech, August 31, 1976, "it cannot last."

Third, we should be especially careful that no U.S. action lends aid or comfort to South Africa's apartheid plans. We face imminently, for example, a decision on our policy toward the Transkei.

Undoubtedly, we have delayed stating our position on the Transkei lest our opposition adversely affect South African cooperation on Namibia and Southern Rhodesia. That is, I assume, our opposition.

But such a justification would indicate confusion about the motives which might lead to South Africa's cooperation.

South Africa will cooperate, if she does, in order to save apartheid. We should oppose the Transkei because we oppose apartheid. We should announce that opposition now and unequivocally.

We should take steps to see that our opposition is given practical effect. Above all, we should insure that we do not formally oppose independence for the Transkei while practically taking steps (e.g., accepting laissez passer or other devices to avoid requiring South African passports of Transkei citizens) to facilities business as usual.

Finally, we should, as the Secretary of State has noted, give South Africa full credit for assistance in negotiating a resolution of Namibia and Southern Rhodesia. But what South Africa does she does to serve her own interests. She should be under no illusion that she has gained a measure of respectability or acceptance as a result of that assistance.

On the other hand, consistent with our view of the complexity of the situation and the very real nature of the problems South Africa faces, we should stand ready—as the Africans announced their own readiness in the Lusaka Manifesto 10 years ago—to assist a South Africa committed to the goal of racial equality.

Thank you, Mr. Chairman.

Senator CLARK. Thank you very much, Mr. McHenry. You have given us a very clear, a very frank statement, and a very inciteful one.

I particularly appreciate your emphasis in the latter part of your testimony on South Africa itself. My personal view is that the greatest inherent danger of the Secretary's trip—as you know, I support it but the greatest inherent danger is the support that it may give or at least seem to give to South Africa's apartheid policy.

I think you emphasized that very clearly and very adequately.

Senator Pearson and Senator Percy, we have just finished the first two of four papers. We would be very happy if you have any comments now.

Senator PEARSON. Not at this time.

Senator PERCY. Not at this time.

Senator CLARK. Then we will go ahead with Prof. Edwin Munger's presentation. He is professor of political geography at California Institute of Technology. He has done a good deal of work, much of his focus in fact has been on southern Africa and a good bit on groups in South Africa.

He has written extensively on the subject. We are delighted to have you here. You proceed any way you think appropriate, Professor Munger.

STATEMENT OF EDWIN S. MUNGER, PROFESSOR OF POLITICAL GEOGRAPHY AT THE CALIFORNIA INSTITUTE OF TECHNOLOGY, PASADENA, CALIF.

Mr. MUNGER. Thank you, Mr. Chairman.

Your invitation to testify is appreciated, as is your concern for American policy in southern Africa. I am delighted that the American Congress is focusing knowledge on southern Africa, which we wish it would have done a decade ago. Because I have made two long research trips this year to South Africa, Namibia, Angola, and Swaziland, and in the light of the tragic loss of life still going on in South Africa, I am tempted to comment on the immediate headlines.

I might say inter alia that I have been in Africa every year since 1947 when I began my studies on Africa at the University of Chicago.

However, the long-standing grievances of the African people which sparked this tragedy are well-known to this committee. If there is going to be a peaceful transition to a just society in South Africa, and I believe there can be, and if the United States is to play a constructive role, as I believe it should, then our policies must be based on a clearer perception of the forces at work within the dominant white oligarchy.

U.S./AFRICAN RACIAL PARALLEL

One reason that American policy has been more rhetorical than constructive arises from shibboleths concerning Afrikaaners. There are four specific ones I would like to destroy, if I can. But first let me draw a brief parallel with our own country. Our history and racial percentages are different, but the problem of bigotry is similar.

If it is true that the Georgia redneck who drove his mules to the courthouse square, quoted the Bible, and cussed the niggers is an anachronism, it is also true that the Afrikaaner who inspanned his oxen to drive across the veld to listen to his predikant, sjamboked his kaffirs, and voted Nationalist to save white Christian civilization is likewise an anachronism. Just as rural America has become urban and urbane, so the Afrikaaner left the platteland for the factories and corporate offices of the Witwatersrand.

Let me emphasize that both Afrikaaners and Africans have changed. A Xhosa management consultant, Grey Mbau, told me recently in South Africa that he cannot fill 14 requests for black executives at management levels in positions that pay from $15,000 to more than $20,000 a year, which would be even more in American salaries.

Just as the era of the tradition-bound African is ending, so has the Afrikaaners' patriarchal society. Policy to deal with the realities of South Africa today cannot be based on oxwagon stereotypes.

LAWS PROHIBITING RACIAL INTERMARRIAGE, SEXUAL RELATIONS

The first shibboleth that clouds our thinking is that laws prohibiting racial intermarriage and sexual relations between races have the support and biblical sanction of the Nederduitse Gereformeerde Kerk.

As you know, this is the largest and most influential of the three main Dutch Reformed Churches and the one to which most Cabinet Ministers belong.

The N. G. church has never said that Holy Writ forbids racial intermarriage, and once again this year it has reaffirmed its stand. Intermarriage was, of course, legal in South Africa until 1948, curiously the same year that it became legal for the first time in history in California.

What is new in South Africa is a growing recognition within the Afrikaans-speaking community that, if racial discrimination is to end, as promised by Ambassador Pik Botha at the United Nations, the Mixed Marriages and Immorality Acts must be repealed. This is not yet a full-fledged public campaign, but it is being seriously discussed by the editorial staffs of the major Afrikaans newspapers.

As in our society, Mr. Chairman, the actions of the police often reflect public opinion and foreshadow legal changes. The Immorality Act has not been strictly enforced since the Excelsior affair in the Orange Free State, and the police turn a blind eye to many violations.

If such laws can be changed with the encouragement of the Afrikaans press and the support of the Dutch Reform clergy, then I submit that all discriminatory laws can be peacefully changed, because most of them flow out of the racial philosophy on which the Mixed Marriages Act was based. American humility is advisable, since it is less than a single decade ago that 16 American States prohibited intermarriage. It was in 1967 that the Supreme Court, in the case of *Loving* v. *Virginia*, struck down such racist laws. We all know that Virginia today is not the Virginia of a decade ago. Similarly, South Africa is changing and can change even faster.

ETHNICITY

The second shibboleth is ethnicity. Even Presidential candidates can be misunderstood on that one. Some critics assume that the only ethnic tensions in South Africa are black-white.

It has become chic to describe all those who are not "white" as "black." Tension between the colored and black communities are bridged at the moment only at the intellectual level, although they share common grievances.

The most vicious race riot in South African history took place in Durban in 1949 between Indians and Zulus. Most educated Africans rise above ethnic prejudice. But among the majority, ethnic feelings produce clashes and deaths.

This is not peculiar to South Africa any more than it is to Bangladesh or to Northern Ireland. To think that South Africa can easily become a melting pot will only produce a pressure cooker.

NAZI POLICE STATE IN SOUTH AFRICA

The third shibboleth is that South Africa is a Nazi police state and the worst in Africa. To me, Mr. Chairman, there is something deeply

racist in acting as though black lives and black civil liberties throughout the continent are not important; that it is not our concern if Africans oppress Africans, for example in Uganda, or in Ruanda, where Hutu murdered hundreds of thousands of Tutsi in a genocide.

American criticism of wrong in South Africa will have greater credibility and impact if our strictures are even-handed and not based on race alone.

Franklin Delano Roosevelt's first political fundraising was for the embattled Boers who were fighting British imperialism. Afrikaners' continued opposition to British domination led men like the present Prime Minister, John Vorster, to oppose automatic support of Britain, just as many Americans of Irish, Italian, and German ancestry initially opposed America's entry into World War II.

I know this very well, Mr. Chairman, because I was at the University of Chicago at the time, as was the distinguished Senator Percy, and I was chairman of one of the college Committees to Defend America by Aiding the Allies.

The opposition in Irish and Italian communities threw tomatoes. But I did not feel these people were pro-Nazis. They were simply anti-British. There was a similar phenomenon in South Africa.

The academic genesis of this shibboleth can be traced to Prof. Arthur Keppel-Jones' predictions of a Nazi state in South Africa in his 1947 book, "When Smut Goes." He predicated a program in 1955 when, in fact, Cabinet Minister Donges laid the cornerstone of a new synagogue in Johannesburg that year.

The Ossewa Brandwag, of which John Vorster was a leader, has been compared to the Nazi S.S. The fact is that a number of men and women who were leaders of the Ossewa Brandwag are today among the most enlightened members of the Afrikaner establishment.

The characterization of Vorster as "pro-Nazi" simply does not fit the picture of him in Israel laying a wreath to the memories of Jewish victims of Nazi oppression.

I would cite Erika Theron, who has recently chaired the Theron Commission, which came out and recommended the abolition of perhaps 90 percent of all the apartheid laws regarding the colored community in South Africa. In many ways that is a litmus paper for all change away from discrimination in South Africa.

An essential ingredient of a "police state" is control of the press. Anyone who reads the Afrikaans and African press, not to mention the crusading English press, can scarcely say that they are controlled. "There is more press freedom in South Africa than in the rest of Africa put together," in the words of a highly regarded observer.

In a police state the courts are subservient to the government. But in South Africa the government has lost many cases, and no less often when the judges were Afrikaans-speaking.

HOMELAND LEADERS' CONCERN FOR WELFARE OF THEIR PEOPLE

The final shibboleth is that the Homeland leaders are less concerned with the welfare of their people than are those who preach violence. Buthelezi, Phatudi, Matanzima, Mangope, and Ntsanwisi are neither stooges nor Uncle Toms. I have known them as friends for years, and as men working for a just society in southern Africa. I was talking with Prime Minister Phatudi only yesterday.

As a militant American Indian leader has said, "To work within the system is not to be preempted by it."

It is fashionable at the United Nations to sneer at the forthcoming independence of the Transkei. I am under no illusions that its independence will be recognized immediately by this country, but it should be recognized.

The time will come, and soon, when the dedication of the Transkeian government to the welfare of its citizens and to black people everywhere in South Africa will be evident to all. As Prime Minister Kaiser Matanzima told me in 1960, at his home place of Quamata in Emigrant Tembuland, the people of the Transkei have suffered under white rule for 300 years and he is determined to change that, I believe he will be true to his word.

As you no doubt know, Mr. Chairman, the area of the Transkei is larger than that of Holland or Belgium or Israel, its population is greater than that of a score of members of the United Nations, and its per capita income is higher than that of a dozen other states in Africa.

When men of the caliber of Tsepho Letlaka, who suffered imprisonment in South Africa when he headed the African National Congress Youth in the Cape, of Professor Njisane who taught for a decade at San Francisco State, and of Joe Mathews, the former Assistant Attorney General of Botswana, cast their lot with an independent Transkei, we are not talking of "stooges."

Instead of accentuating Transkeian dependence on South Africa, the Congress should pass laws encouraging American investment in this black state.

We should also support Chief Minister Hudson Ntsanwisi of Gazankulu in his opposition to independence for Gazankulu on the logical ground that he and his people have created much of the wealth of South Africa and have every right to share it.

Just as John Vorster is not a Nazi, so Chief Gatsha Buthelezi of KwaZulu is not a quisling. A black South African told me last week that if the Buthelezis don't change soon, they and all their friends will be "eradicated."

What South Africa needs least is a civil war of black against black. Vorster and Buthelezi have sharply different perspectives, but the United States should exercise all possible persuasion with both men to maximize the chances for peaceful change.

Mr. Chairman, if we can clear our thinking of these four shibboleths, we can become more effectively involved in the process of change. White South Africans are looking around them for examples.

Earlier this year, six South African Cabinet ministers told me that Rhodesia was their greatest fear. But what the whites and blacks are doing in Namibia could be greatly encouraging.

NAMIBIAN INDEPENDENCE

I am particularly optimistic over the attitudes of the German community in Windhoek, Grootfontein, and elsewhere in Namibia. This is a paradigm which could be effective in persuading white South Africans to lead to a transfer, to a just society, a change in the situation, whereas Rhodesia may very well have a negative impact.

In Lusaka, Dr. Kissinger rightly gave encouragement to the change in Namibia. The Congress should go farther. For example, the promise by the Congress of a resolution to say that the United States would pay for a library for a nonracial university, erect it and provide books for it, would be a major contribution toward political stability in Namibia and I think a great step forward.

Now that the Turnhalle has accepted a nonracial university for Namibians, the United States should pledge strong financial support for its functioning in an independent Namibia.

Such support will help stabilize Namibia. A peaceful transfer of power there will be an excellent paradigm for white South Africa, even if change in the latter does not follow the same formulation. This is a reasonable hope and a great challenge.

Thank you.

Senator CLARK. Thank you very much, Mr. Munger. You have given us a different view and one which I think has an appropirate place here for our discussion, and I am sure it will stimulate a good bit of discussion.

Next, we are going to hear from Prof. John Marcum, who received his master's degree at Columbia and has other degrees from Stanford.

He is provost of Merrill College and professor of politics at the University of California in Santa Cruz, past president, as a matter of fact, of the African Studies Association, and author of a number of books and a number of articles on Africa, particularly "The Angolan Revolution," "The Anatomy of an Explosion," "Exile Politics" and "Guerrilla Warfare."

He is a distinguished authority on southern Africa, one who has appeared before this committee on many other occasions. Again, we welcome you here, Professor Marcum. You proceed in any way you think appropriate.

STATEMENT OF JOHN MARCUM, PROVOST, MERRILL COLLEGE, UNIVERSITY OF CALIFORNIA, SANTA CRUZ, CALIF.

Mr. MARCUM. Thank you, Mr. Chairman. I am afraid I am guilty of being an academician. The paper I have written would take longer than 10 minutes to read. So if I may, what I would like to do is highlight what I think are some of the major points in it, with the hope that it might nonetheless be read in full by the committee.

Senator CLARK. Yes, it will be put in the record.

LESSONS LEARNED

You indicated earlier that I might say something about lessons learned. Let me try to focus on that in my comments and indicate some of my concerns.

My concern is that we have not learned a number of lessons that the Angolan experience might have taught us. I think this to be true. In the first part of my paper I discuss the goals of American policy as outlined by the Secretary of State. I list them as presented by the Secretary to a House committee.

I find in them a theme which is disturbing to me. It is a theme that suggests that we are still choosing sides. The effectiveness of our policy

and the integrity of our policy in the peace efforts that are underway would be greatly enhanced if it could be said that we are even-handed and not partisan in the matter.

One notices a constant repetition of apprehension about radicals taking power or about the radicalization of Africa. Constantly this use of the word "radical", not defined but used. There seems to be a hostility to radical regimes that have assumed power in Angola and Mozambique, at least one presumes that that is what is in mind. We have not yet recognized the government in Angola. And there seems to be a concern with global issues as distinct from the regional issues, the qualities particular to the southern African area.

In other words, an apocalyptic view.

Deriving from this comes a tendency—or I should say there is a tendency to continue, because I think this does go back into an earlier policy we heard discussed this morning—not to communicate with all sides.

Let me point out, in addition to what I have stated in the written testimony, that in discussions (as far as I understand them) to this point concerning the Rhodesian issue, the American Secretary of State and his entourage have talked with the representatives of only one of the Rhodesian black movements, Mr. Joshua Nkomo and his party. Two of the senior officials in that party are, incidentally, former employees of the U.S. Information Agency.

But it is my understanding that at least to this time, the Secretary has not spoken to other leaders, for example, Mr. Robert Mugabe, who represents what is often called the Third Force—that is the military organization, which is based in Mozambique.

One can only presume that that is because the Third Force is held to be radical or because the American Government does not think that it represents a proper choice or a proper option.

It is my understanding that Mr. Mugabe and others would be ready to talk but that they have not been approached.

We have created in this process the impression that we are still primarily concerned with the fate of whites in the area. There has been discussion or a leak to the press about a two billion dollar fund to buy white concessions. And there is an obvious congruence of American policy with South African policy in the desire to implant what are called moderate regimes.

This suggests that we have not learned the lesson about choosing sides, about the obviousness of relationships, that we are not really even-handed in our approach.

U.S. CREDIBILITY, INTEGRITY

This leads me to one of the basic points that I have tried to make in my statement. The effectiveness of American policy is related to its credibility and its integrity. And on those counts our policy is still wanting.

Let me cite one of the major credibility failures. We have embarked upon a major diplomatic undertaking, the style of which I have criticized in the paper, and I am going to focus on what could undermine it now.

It was said in April that one of the things we would do in order to make our policy conform to international obligations was to call for

a repeal of the Byrd amendment. Last year the United States purchased chrome worth $43 million, which is half of what was spent in Rhodesia on defense, on the military.

Yet, I fail to note any call from the President or any mention of repeal at this point. We are going out to Africa pretending that we are neutral or that we are even-handed but we are not conforming with international sanctions, we are in violation of those sanctions and we have not met our April promise to meet our obligations.

It does seem that we are very eager to attract Africans into the processes of negotiation. I am not criticizing a preference for peaceful solutions or a preference for moderate governments. But I am questioning whether or not we, in the Secretary's terms, should "shape events" or decide that certain groups are our enemies and others are our friends.

By attracting Africans into the process of negotiations we must also understand that from their point of view this may soften the pressure that they can bring. That is, it can be a trap for those who are not in positions of power, but who are on the outside. I think this is from their perspective, wise insight.

Let me read a couple of paragraphs from the front page of the Daily News of Tanzania of September 8 which gives some insight into how things are perceived from the African side, from Dar-es-Salaam. The paper says: "If peacemakers wish to maintain their role, which we understand carries some prestige, let them listen carefully to what the representatives of the Freedom Fighters have got to say. If they follow their advice and stay away from Zimbabwe they will gain more prestige. But if they insist on trying to solve the issues in southern Africa on their own terms"—here is the assumption that we have a formula, that we see good guys and bad guys—"because of what they believe to be their unique role, they will be making a very serious mistake. The Freedom Fighters of Southern Africa know exactly what they want, and they are set to get it."

The point is that the United States is not seen as an even-handed or neutral agent in this situation.

TIME FOR EFFECTIVE, CONSTRUCTIVE INITIATIVES

Let me make another point. I do think that we should recognize that time has sped by, that the juncture at which we might effectively have taken constructive initiatives in Rhodesia and Namibia may well have passed, and that there is a danger that in a last minute plunge we will find ourselves embroiled in a situation which will mean serious problems, even if we should be "sucessful," that is, even "if American-South African pressure actually prompts Rhodesia to make a deal with black African 'moderates.' Should the United States commit its diplomatic prestige and taxpayer's money, and those of its European allies, to a particular agreement that guarantees the economic status of Rhodesia's white minority; and should this agreement be denounced and actively fought by Third Force insurgents, to what extent will Washington feel obliged to protect its investment in a 'moderate' solution? Might we be drawn into support of a military effort by 'our moderates' against 'their radicals?' "

There is a danger of falling into a trap, as we have done previously.

If one can find solutions that are mutually acceptable to all parties in contention in Rhodesia, and in Namibia as well, that is one thing.

But we should be terribly careful not to lock or entangle ourselves into commitments, investments in a particular solution that we feel we must protect against those who oppose it.

At the same time, I think that we might achieve more in an area that does not yet pose the need for crisis diplomacy. For in this area we could avoid the danger of moving from neglect into a sudden spasmodic diplomatic overkill. South Africa offers us this chance.

There is still time to come forth with a policy on South Africa that will be sounder and less dangerous. We might be able to achieve more there.

It is, on the other hand, very discouraging to note that since Zurich, the government of South Africa has held—as is consistent with previous policy—to the notion that there is not to be a South African commonwealth, but only the separate wealth, of distinct communities. The government intends to continue with what I might call a "dismantling policy," one which is designed to divest South Africa of a racial problem by creating separate "homeland" states, maybe "black city states," and perhaps what are called "parallel structures" for the colored and Asian populations. It adheres to the proposition that there cannot be a common society, that the wealth of South Africa is not to be shared—wealth which has been developed over years by all South Africans.

This dismantling policy has inherent in it its own difficulties. In a sense it tends to internationalize what were domestic affairs. And one could anticipate problems of irredentism.

The fundamental vulnerability of the South African system has been dramatized in recent weeks by massive protests which have gradually turned into efforts to use the principal leverage that the African, Coloured and Asian peoples have—the withholding of their labor. Despite the fact that there is considerable unemployment and despite massive arrests there is still a growing capacity, or at least effort and apparent capacity, to do this.

One of the great dangers is that the South African Government, in spite of all of this, may be underestimating the depth of black feeling, may still be counting upon economic and military power to maintain itself.

This brings us to the question of what third parties can do. The United States is an important third party. Its actions will help to reinforce the pressures for change or they will, contrarily, reinforce resistance to such change.

The American role at this time, if one considers questions of trade, investment and bank loans, our entire economic relationship with the Republic, is one which essentially reinforces resistance to change. It makes change less necessary.

U.S. POLICY RECOMMENDATIONS

What should the United States do? Let me try, in closing here, to make a few prescriptive comments.

It seems to me that the United States should, first of all, accept the limits of its own ability to "shape events." Why do we always feel that we have the right to determine what is going to happen? We

should accept the fact that the most wisely crafted and skillfully executed policy cannot save white South Africans from themselves, that no American Government should be expected to save them from the consequences of a persistent refusal to abandon white supremacy.

Second, the United States should eschew self-righteous moralizing about apartheid and concentrate on restoring integrity and consistency to American relationships with South Africa and its apartheid system.

To be effective and have the kind of credibility which we need and which is lacking and which has undermined our policy to the present we need to look first to ourselves.

Third, it should give high priority to the methodical elaboration of overall policy goals and guidelines designed to bring coherence, credibility, and maximal effectiveness to American policy.

Acting on the principle that we must first of all be responsible for the consequences of our own actions and inactions, our Government should take the lead in constructing a comprehensive policy designed: (1) to convert $1.5 billion in American enterprise already in South Africa into a positive force for social change; and (2) to guide or limit any new financial, scientific, or technological inputs into South Africa so as to respect principles of human justice.

As a first step toward implementing such a policy, the administration might convoke the heads of the 20 to 25 companies that hire some 90 percent of the black South African labor that works for American firms and mandate them to come forth with common policies focused on higher wages, fair employment standards, cooperation with black trade unions, and compensatory educational/training programs.

After consulting broadly with business, labor, black, church and other interested groups, the Government might then give thrust to its new approach by using tax, licensing, contract, lending, and other public power to oblige American corporations, universities, and governmental bodies to conform to principles of racial and social justice in all dealings with South Africa.

Details should be worked out in a deliberate, systematic fashion worthy of a great and principled power.

It might be decided, for example, that by using an excess profit guideline the margin of return on investment attributable to excessively cheap labor should automatically be returned to black workers in the form of wages and other benefits.

Most importantly the administration should lead, should use the office of the President to inform and educate the American public about the need to dissociate from support of a system incompatible with human dignity. And to insure against cheating around the edges, whether in the Pentagon, the Commerce Department, or elsewhere, the Government should set up an interdepartmental watchdog committee to monitor and coordinate policy implementation.

Once integrity has been restored to the American relationship, it will become appropriate and credible for the United States to seek active cooperation from European and Japanese Governments whose countries also have important economic relations with South Africa. And the American Government may then be able to capitalize upon an enhanced capacity to interact in mutually supportive fashion with concerned African States.

What an administration should not do is to try to impose made-in-America solutions on African problems. And the United States should scrupulously avoid action that either encourages or seems to legitimate fragmentation of the South African commonwealth.

In deciding whether or not to recognize an independent homeland, for example, Transkei, it should be guided by the collective judgment of African States as expressed through the Organization of African Unity.

American policy should seek where possible to work with and strengthen, not bypass or undermine, African regional structures and processes.

In conclusion, a final caution. The United States is still a great power. It needs a sound and sensitive African policy. Such a policy to be effective should be carefully constructed over time to deal with diverse, complex issues. It should rely upon solid expertise and constant purpose. It should derive from quiet, cumulative, collective labor.

And it should, of course, profit from the responsible prodding and probing of legislative committees such as this one.

If it is to be successful over time, this policy will need strong leadership from a supportive President. As citizens we should expect nothing less.

[Professor Marcum's prepared statement follows:]

PREPARED STATEMENT OF JOHN A. MARCUM

Can dramatic personal diplomacy rescue southern Africa from the brink of racial war and safeguard local American economic and strategic interests from a perceived Soviet/Cuban challenge? After years of supporting the politico-economic status quo in the area on the assumption that black nationalists, even with external help, could not overthrow white regimes, can the United States now be accepted by Africans as a "neutral" peacemaker? Has the humiliation of Angola finally generated a realistic American policy designed to promote black majority rule and collective African independence or simply given new impetus to a reactive American policy calculated to block black "radicals" and Soviet/Cuban "penetration?" To what extent does the current diplomatic offensive constitute a prudent and constructive American approach toward the issues of a racially polarized and embattled southern Africa?

In examining these questions, let us look first at the goals, methods and consequences of current American policy, then at a possible alternative approach.

American policy goals as set forth by Secretary of State Henry Kissinger provide a rationale for dashing into shuttle diplomacy but also grounds for concern about where that dash might lead. Speaking before the House International Relations Committee on June 17, the secretary listed four aims of American policy:

"To avoid a race war which would have inevitably tragic consequences for all concerned;

"To do all we can to prevent foreign intervention in what must remain an African problem;

"To promote peaceful cooperation among the communities in southern Africa; and

"To prevent the radicalization of Africa."

Mr. Kissinger dwelt at some length on his fear that in the wake of Angola even "moderate and responsible African leaders" who favored peaceful change were coming to the reluctant conclusion that "with immense outside military strength apparently behind the radicals," there was "no alternative but to embrace the cause of violence." Soviet and Cuban intervention in Angola, he said, had "encouraged radicals to press for a military solution in Rhodesia." And he projected the spectre of a whole continent become "politically embittered and economically estranged from the West" through a "process of radicalization which would place severe strains" on America's European and Japanese allies.

On August 26 President Kenneth Kaunda of Zambia, who had opposed Soviet and Cuban action in Angola, seemed to confirm Secretary Kissinger's pessimism when he declared that efforts to find peaceful solutions in southern Africa had failed and, as he put it, "now we fight." Criticizing western powers for maintaining close political, economic, cultural and military links with South Africa while verbalizing support for the principle of majority rule, Kaunda said Zambians took "strong exception to double-dealing." "If you can't be moved by principles," he warned westerners, "be moved by the fact" that in Namibia it is the South West Africa People's Organization (SWAPO) that "is going to take over . . . is going to take power and you can't stop it." Whereupon Sam Nujoma, SWAPO's president, pledged to intensify guerrilla action in Namibia. Despairing of help from "western countries which have chosen to be friends with South Africa," SWAPO, he said, had asked the Soviet Union and Cuba for arms and military instructors.

Did Secretary of State Kissinger mean to say in a year of Bicentennial homage to the principle of "just revolutions" that all those who fight for their independence are dangerous "radicals" who should be blocked from power by American action? Or did he mean just those who received Soviet and Cuban help?

Preference for peaceful solutions and "moderate" African governments is one thing: eleventh hour intervention to cut "radicals" off at the pass would be another. Earlier, before white intransigence and black desperation led to violence, American initiatives would likely have been well received by most African nationalists. But coming as a reaction to the rise of Soviet-backed "radicals" to power in Angola and Mozambique, such initiatives appeared to many Africans as simply American refusal to accept the inevitable consequences of previous and continuing alliances with a repressive, but for the United States, lucrative, system of white minority rule.

Moreover, it seemed disingenuous to some for the American Secretary of State to warn that "big power intervention" could only "set African against African and heighten the risk of conflict" but then to plunge in with "positive [American] programs" without which, he said, there is "no prospect of shaping events." Is the United States not a great power? And must it or can it always "shape events?"

The responsibilities of great power status call for consistent, well-planned and sensitively conducted diplomacy. They are not met by spasmodic shifts from imprudent neglect to theatrical intervention. And the American government has probably allowed the situation in Rhodesia and Namibia to deteriorate to a point beyond which it can reasonably hope to induce or impost solutions to its linking at *tolerable cost.*

Yet, might the *son et lumière* spectacular of shuttle diplomacy produce a last minute "save"? Perhaps. But it also might backfire as a stage-stealing form of superpower one-upsmanship. Block booking hotels, hiring fleets of rental cars and blitzing the media might represent a peculiar American contribution to the art of diplomacy. But its sheer immodesty has compounded African suspicions of American motives, leading some to speculate that they have more to do with an American election than with an African crisis. And though Julius Nyerere graciously agreed to allow Dar es Salaam to serve as the northern headquarters for Dr. Kissinger's shuttling, the Tanzanian president and Africa-wide opinion leader, made it clear that the American Secretary of State had invited himself.

Having stated his goals and committed his person, what were Secretary Kissinger's chances for success?

Should his powers of persuasion and invention produce a formula for transition to majority rule in Rhodesia acceptable to both black and white nationalists his achievement would command universal respect. But the danger is that his crisis diplomacy could lead to dubious, entangling results.

The situation in Rhodesia where about 270,000 whites rule some 6 million blacks has reached an advanced state of deterioration. Calling for national mobilization against mounting insurgency by black nationalists, Rhodesia's Air Marshal Archie Wilson commented recently that the "cooperation of the masses" would be achieved only when the armed forces were able "to demonstrate total control of the situation"—which was tantamount to acknowledging that they do not now have such control. (*The Rhodesia Herald*, August 25, 1976) And some 14,000 members of a Zimbabwe Liberation Army training in Mozambique are reportedly preparing to join the approximately 1,500 already raiding, ambushing and proselytizing in Rhodesia itself. Robert Mugabe and other spokesmen for this army have made it clear that whereas veteran political leaders such as Joshua Nkomo and Bishop Abel Muzorewa might settle for less, the military Third Force

means to accept nothing short of total victory. Sensing that the tide is running in their direction, they have defiantly declared: "We are fighting for military victory, not for a constitutional conference. The only talks we will participate in are surrender talks." (*The Rhodesia Herald*, August 27, 1976) So long as Mozambique supports it, the Third Force probably cannot be factored out of any settlement. Its leadership, however, seemed not to have been consulted by Dr. Kissinger about a diplomatic drive that Robert Mugabe described as "unfortunate." The Secretary of State, said Mugabe, was "spreading false hopes and impressions."

What has emerged from press reports is the outline of an American proposal to raise as much as two billion dollars to provide economic guarantees to Rhodesian whites in turn for political concessions to Rhodesian blacks. Whether such an approach coupled with tough talk and a quiet trade squeeze by South Africa could induce the Rhodesian Front government of Ian Smith to make significant concessions is problematic. Salisbury's capacity for fanatic intransigence should not be underestimated. And this despite the fact that such a cushion would come at a time when American aid for developing nations is about a third of one percent of our annual GNP and assistance offered to Mozambique for closing its borders with Rhodesia so as to conform with United Nations sanctions totals only 12.5 million dollars. Under such circumstances, discussions of a two billion dollar fund to bail out white settlers inevitably grates African ears and suggests a less than even-handed approach. And suggestions that the United States might be willing to follow this up by participating in an ambitious, multinational development program for an independent Rhodesia (Zimbabwe), seem faintly reminiscent of stillborn Mekong Delta proposals of recent memory.

Prime Minister Johannes Vorster of South Africa shares Secretary Kissinger's desire to see a "moderate" African government assume power in Rhodesia. In failing to accommodate African nationalism by adopting South Africa's notion of "separate development," meaning territorial partition along racial and tribal lines, the Rhodesians proved themselves "losers" in Pretoria's eyes. Thus as part of his "detente" policy of conceding the margins in order to preserve the essentials of Afrikaner power and white rule in South Africa, Vorster is disposed to ease out Smith and do business with a "moderate" African regime in Salisbury.

But is the South African prime minister willing or able to apply the economic sanctions on land-locked Rhodesia that may be necessary to persuade it to come to terms with black "moderates?" Were he to take such action would it not create a precedent for an eventual application of international sanctions against South Africa itself? And closer to home, is President Ford ready to make good on Secretary Kissinger's April promise that the prestige of the presidency would be placed behind a call for the repeal of the Byrd Amendment under which the United States continues to import Rhodesian chrome in violation of United Nations sanctions? American officials have openly acknowledged that these imports, which last year amounted to about 43 million dollars or half what Rhodesia spent on defense, have provided "moral and psychological support" to the Smith regime. If the Rhodesian crisis is of such importance as to justify shuttle diplomacy is it not worthy of presidential leadership as well? So long as the United States defies international commitments and, under pressure from particular mining interests, persists in economic dealings with white Rhodesia, African governments and embattled nationalists may be less inclined to believe in an American commitment to the cause of majority rule.

But an even more serious question may arise if American-South African pressure actually prompts Rhodesia to make a deal with black African "moderates." Should the United States commit its diplomatic prestige and taxpayer's money, and those of its European allies, to a particular agreement that guarantees the economic status of Rhodesia's white minority; and should this agreement be denounced and actively fought by Third Force insurgents, to what extent will Washington feel obliged to protect its investment in a "moderate" solution? Might we be drawn into support of a military effort by "our moderates" against "their radicals?"

The point is that time may already have run out in Rhodesia. And if past, let alone continuing abduracy on the part of white Rhodesians should result in the emergence of a spartan, marxist-ruled Zimbabwe, the United States has no real option but to establish correct relations with the new regime—unless it is prepared to take on the Soviets and Cubans or the Chinese in a new war-by-proxy

which could only further enflame and "radicalize" the African scene. It should be noted, also, that any military move by South Africa to rescue the white regime or block a black one would, as in the case of Angola, invite and legitimize increased Soviet-Cuban intervention.

Superficially, at least, Namibia presents more tractible issues. Pretoria has promised independence by 1979. But it appears intent upon granting independence to a Namibia governed under a loose federal system in which the economically powerful white community can link up with African traditionalists to preserve its control at the core of an ethno-politically fragmented state.

Willingness by Pretoria to speed up Namibia's political transition to independence and permit SWAPO to join constitutional discussions and participate in internationally supervised elections would suffice some believe to avert a prolonged diplomatic and guerrilla conflict over the former League of Nations mandate. But SWAPO has posed tough conditions for a settlement.

Rejecting the tribally organized Turnhalle talks held in Windhoek under South Africa aegis, SWAPO's Sam Nujoma has called upon the United Nations to organize a constitutional conference for the territory. And he has demanded (*The Standard*, Nairobi, August 30, 1976) that South Africa:

Withdraw its forces from Namibia
Release Namibian political prisoners
Respect Namibia's territorial integrity, and
Recognize SWAPO as the legitimate representative of the Namibian people.

Such demands are too substantial for Pretoria to swallow. And efforts to find a mutually agreeable compromise may sorely try American negotiating skills. Much will depend upon how far Prime Minister Vorster is prepared to go in order to ingratiate himself with the American government in the hope of (1) fending off pressure for basic reform in South Africa and (2) preserving what he views as South Africa's rightful role as America's "free world" ally.

Vorster and Kissinger agree upon the utility of attracting African nationalists into the processes of negotiation. They apparently hope, thereby, to gain time and to soften if not to totally sublimate confrontation, even where final solutions prove elusive. By placing his own prestige so dramatically on the line, however, the American Secretary of State may have escalated and sharpened the consequences of success or failure in a context where the odds are, he admits, against him.

Whatever its achievements, moreover, the secretary's African spectacular threatens in the end to leave the white albatross of South Africa draped even more securely around the neck of the American government. To a black audience in Philadelphia Dr. Kissinger portrayed South Africa's apartheid as "incompatible with human dignity." And earlier in Lusaka he announced that American policy is to be "based upon the premise that within a reasonable time we shall see a clear evolution toward equality of opportunity and basic human rights for all South Africans." "The United States," he promised, "will exercise all its efforts in that direction." (speech of April 27, 1976)

The need to "exercise" such efforts has been tragically dramatized by racial violence in South Africa over the past four months. Unlike the situations in Rhodesia and Namibia, however, "reasonable time" is still available for peaceful change in South Africa—if reasonable minds prevail. Prudence may dictate that the United States swallow hard and prepare to deal with a "radical" successor regime in Rhodesia. But South Africa, given the magnitude of white power, still offers time for American policymakers to respond to the single most troubling situation that faces Africa before being forced or appearing to be forced to do so by virtue of Soviet initiatives.

Instead of pouring all energy into frenetic efforts to salvage situations that may have deteriorated beyond any likely "prospect for shaping events" at reasonable cost, might it not be wiser for the American government to mount a long range, pre-crisis assault on a problem of surmounting gravity?

Returned from his talks with Secretary Kissinger in Zurich, Prime Minister Vorster assured a National party gathering in Bloomfontein that his government has no intention of abandoning apartheid, or "separate development." He and his party remain determined that the country's 18 million black Africans, 2.3 million Coloureds and 700,000 Asians shall never form a "common society" with its four million whites. There is to be no *commonwealth* only the *separate wealth* of white South Africa dominating but "accommodating" what Nationalist vision-

aries vaguely foresee as a congery of small tribal "nations," black "city-states" and "semi-autonomous" Coloured and Asian communities.

By breaking off and granting political independence to small, geographically-fragmented ethnic "homelands," Pretoria proposes to divest itself of its racial problems. The formula is simple. Black Africans resident in the 87 percent of the country reserved for the white republic are to became aliens. This process will begin in October with the independence of the Xhosa "homeland" of Transkei. In addition to the 1.8 million residents of Transkei another 1.3 million persons resident in the republic but held to be "culturally or otherwise associated" with it are to be stripped of their South African citizenship and rendered Transkeians, even though many have never set foot in the territory.

In contrast to Chief Mantanzima of Transkei, most "homeland" leaders reject the notion of independence. As they put it in a collective statement on August 21: ". . . we do not want to abdicate our birthright to be South Africans," or forfeit "our share of the economy and wealth which we have jointly built." As the financially pressed Vorster government has cut back on development funds and land consolidation purchases for the peripheral "homelands," disillusionment and recalcitrance has grown among the very client chiefs upon whom the government would base black-white partition. And any idea that partition might be made more palatable by being rendered equitable, has met derisive government resistance. "History itself has divided the land between white and blacks," according to M. C. Botha, Minister of Bantu Administration and Development, and demands for more land are "futile" though "characteristic of the Bantu." (*Die Transvaler*, May 19, 1973)

If all this is not discouraging enough, attitudinal surveys of Afrikaner youth have shown that they are no more prepared than their elders to accept a common (multiracial) society or equitable partition. Significant change, it is clear, depends upon the capacity of South Africa's 5 to 1 disenfranchised majority to bring forceful economic and social pressure to bear for such change. Third parties such as the United States may help to reinforce these pressures or conversely to reinforce government resistance to them.

But where lie South Africa's vulnerabilities? Despite its mineral wealth, industrial development and military power, South Africa is not so impregnable as it may seem. Even if it succeeds in implementing it, the separate development policy of fragmenting and relegating black Africans to manageable tribal "nations" could well backfire. In "internationalizing" what have heretofore been held to be strictly domestic affairs the government risks producing a whole range of vexing territorial claims, irredentisms and other grievances posed by newly assertive "homeland" leaders. But most crucial, is the fact that the country's economy, its mines, farms and factories, depends on the continued availability of abundant and cheap black labor. For example, gold counts for a third of the country's exports, and exports account for 58 percent of its national product. The gold lies in deposits that can be mined profitably only with what may be best described as "dirt-cheap labor." (*Forbes*, May 1, 1976) And South African industry has become increasingly dependent upon skilled and semi-skilled black labor. The most significant aspect of recent black protest against the apartheid system, therefore, has been the gradual conversion of angry outbursts into systematic efforts to withhold this labor. African leverage for change lies with labor boycotts in Johannesburg not violence in Soweto.

White resistance to change is rooted not only in distorted Calvinist theology and isolated, ingroup prejudice. It is also based upon a firmly held belief that economic and military power must far outweigh the racial factor in shaping relationships with black Africans both inside and outside the country. All Africans, it is reasoned, have their price, and with ample food and gold white South Africa can pay it; social stability can be bought with improved amenities; and black South Africans, survey data and common sense notwithstanding, will respond to economic as against political motivation. Resistance may also be grounded in an underlying assumption that in any serious crunch the United States will come to South Africa's aid in order to prevent communist-supported forces from taking power. And this resistance may be reinforced by what Pretoria now happily lauds as the peace initiatives of a Vorster-Kissinger tandem. One can only hope that in visiting South Africa Dr. Kissinger will seek to consult with spokesmen for the black majority, including the imprisoned leader of the African National Congress, Nelson Mandela.

Secretary Kissinger's words of criticism have been patiently dismissed by his peace partner "superficial platitudes." For verbal brickbats aside, America's role in South Africa has never been more supportive. The Fluor Corporation of Los Angeles continues managing a 2 billion dollar coal gasification and liquification project (SASOL 2) and hundreds of millions of dollars in new investments and loans are pouring into the country from American companies and banks (Caltex, Kennecott Copper, Morgan Guarantee Trust, etc.). Since 1972 American investment in the republic has grown at the rate of 20 percent a year. And in 1975, American exports to South Africa totaled 1.3 billion dollars, exceeding purchases by 420 million.

Secretary Kissinger's diplomatic offensive is accompanied by no hint that this profitable support role might be altered. Rather it seems predicated on an assumption held earlier with regard to the Portuguese, that whites possess the will and power to perpetuate their rule indefinitely. Northing could be better calculated to further a discrediting entanglement and to nurture the anti-western "radicalism" and communist intervention that Secretary Kissinger so fears.

What then *should* an American Administration do?

First, it should accept that even the most wisely crafted and skillfully executed policy cannot save white South Africans from themselves. No American government should be expected to save them from the consequences of a persistent refusal to abandon white supremacy.

Second, it should eschew self-righteous moralizing about apartheid and concentrate on restoring integrity and consistency to American relationships with South Africa and its apartheid system.

Third, it should give high priority to the methodical elaboration of overall policy goals and guidelines designed to bring coherence, credibility and maximal effectiveness to American policy.

Acting on the principle that we must first of all be responsible for the consequences of our own actions and inactions, our government should take the lead in constructing a comprehensive policy designed: (1) to convert 1.5 billion dollars in American enterprise already in South Africa into a positive force for social change; and (2) to guide or limit any new financial, scientific or technological inputs into South Africa so as to respect principles of human justice.

As a first step toward implementing such a policy, the Administration might convoke the heads of the 20 to 25 companies that hire some 90 percent of the black South African labor that works for American firms and mandate them to come forth with common policies focused on higher wages, fair employment standards, cooperation with black trade unions and compensatory educational/training programs. After consulting broadly with business, labor, black, church and other interested groups, the government might then give thrust to its new approach by using tax, licensing, contract, lending and other public power to oblige American corporations, universities and governmental bodies to conform to principles of racial and social justice in all dealings with South Africa.

Details should be worked out in a deliberate, systematic fashion worthy of a great principled power. It might be decided, for example, that by using an "excess profit" guideline the margin of return on investment attributable to excessively cheap labor should automatically be returned to black workers in the form of wages and other benefits. Most importantly the Administration should lead, should use the office of the President to inform and educate the American public about the need to dissociate from support of a system "incompatible with human dignity." And to insure against cheating around the edges, whether in the Pentagon, the Commerce Department or elsewhere, the government should set up an interdepartmental watchdog committee to monitor and coordinate policy implementation.

Once integrity has been restored to the American relationship, it will become appropriate and credible for the United States to seek active cooperation from European and Japanese governments whose countries also have important economic relations with South Africa. And the American government may then be able to capitalize upon an enhanced capacity to interact in mutually supportive fashion with concerned African states.

What an Administration should not do is to try to impose made-in-America solutions on African problems. And the United States should scrupulously avoid action that either encourages or seems to legitimate fragmentation of the South African commonwealth. In deciding whether or not to recognize an independent

"homeland", e.g. Transkei, it should be guided by the collective judgment of African states as expressed through the Organization of African Unity. American policy should seek where possible to work with and strengthen, not bypass or undermine, African regional structures and processes.

In conclusion, a final caution. The United States is still a great power. It needs a sound and sensitive African policy. Such a policy to be effective should be carefully constructed over time to deal with diverse, complex issues. It should rely upon solid expertise and constant purpose. It should derive from quiet, cumulative, collective labor. And it should, of course, profit from the responsible prodding and probing of legislative committees such as this one. If it is to be successful over time, this policy will need strong leadership from a supportive President. As citizens we should expect nothing less.

Senator CLARK. Thank you very much, Professor Marcum. You have presented your usual balanced and very thoughtful paper. It is convincing and it is useful. I think patrciularly the recommendations at the end are well worth considering.

KISSINGER, LIBERATION GROUPS MEETINGS

I might say that for the record, in regard to one point you made at the outset, I understood you to say we may well not have learned the lesson of Angola, in that we may be taking sides.

You cite the fact that when the Secretary was in Zambia in April, he met with Joshua Nkomo and not with others. I am trying to get the record here, to cite it; but I am quite sure I asked that very question of the Secretary of State here at our hearings in February.

I am under the impression—but my memory is often wrong I find—that he gave the reply that in fact others had been invited. I gathered from that they were to meet with him and they didn't. I gathered from that, if I remember correctly, that specifically Reverend Sithole and Bishop Muzorewa were invited to meet with him, but decided not to do so. Let's wait for the record and see what his answer was.

I do remember specifically asking about whether he had offered or would be prepared to meet with Robert Mugabe, whom you mentioned, who is often associated with the Third Force. I know he was invited at Dar-es-Salaam 10 days ago, along with those I just mentioned and some others.

His response there, I do remember, was that he did not know Mr. Mugabe and that he felt that it would be best on these matters to work through the front-line presidents, rather than directly with the groups themselves.

I tend to feel that that latter statement might be the best way to proceed, that perhaps it would be better not to meet with any of the individual liberation movements—certainly, if you are going to do it, you have to meet with all of them—but to work very closely with the black presidents themselves and to hope that they could bring some unity to the Zimbabwean groups.

Mr. MARCUM. I think that your formula may be a very correct one. The thing is that someone has been met and the impression held by some of the black Rhodesians is that the United States has made a choice.

What would be important would be to indicate that is not so, that we have not decided that the Third Force is somehow the enemy of the United States or that we, projecting out of the policy statements made

by the Secretary, consider them radical, and thus undesirable, that we want to cut them off at the pass. We don't need to get ourselves involved in determining for an independent Rhodesia or Zimbabwe who are the proper people to come to power.

We may have our preferences. But, indeed, working through the front-line presidents would be an even-handed way of avoiding the pitfalls of partisan action.

Senator CLARK. Thank you.

We are going to operate under the 10-minute rule. I have already used a couple of my minutes. I am going to ask one question and ask each of you to comment on it. I think that will take my 10 minutes, if you can limit your answers to 2 minutes or so.

Senator PERCY. Mr. Chairman, I would like to comment on the last dialog you had. First, I want to welcome Professor Marcum here. We are very pleased to have you here.

I think it does present a problem for the Secretary to meet with the liberation groups. I found a tremendous advantage in being a Senator and not a Secretary of State in trying to gain information when I could, without any difficulty at all, arrange meetings with the leaders of the liberation movements, with and sometimes without the State Department. It didn't bother me. I didn't have to get approval, and I wasn't putting the United States in an awkward position. Because I was only out there studying the situation.

However, it is different with the Secretary meeting with them. I asked one very prominent group, just to see if I could establish some ground rules under which I felt I could recommend that they meet with him on his forthcoming trip 10 days later.

I found they raised difficulties about it. It was inconceivable to me that they would consent to meet with me, but not with the Secretary because there were certain black communities whose leaders were on again and off again about it. So it was extraordinarily difficult. I presume that presents a problem to him in his present trip. So it is a complex matter.

I am sympathetic with the difficulty of sometimes his getting direct access to those groups, which is a poor substitute to get a report from some of us rather than hearing it firsthand, as I hoped he could.

Certainly all of your testimony had been extraordinarily provocative and helpful this morning.

Senator CLARK. Thank you, very much.

KISSINGER AFRICAN TRIP

It is a difficult suggestion. I did notice in the paper, if it is accurate, that the Secretary of State was going to meet with Sam Nujoma, the president of SWAPO, on his trip I gather to Zambia.

My question of each of you is simply this: Do you approve of the Secretary of State's present trip to Africa and what he is doing there? If you do, I would like to know why and if you don't, I would like to know why not.

Since we haven't heard from Roger Morris since the beginning, we will in this one case go across the table, starting with Mr. Morris. If you can try to limit your answers to a couple or 3 minutes, I would appreciate it.

Mr. MORRIS. I think I have to say, Mr. Chairman, that I do in a broad sense support what the Secretary is doing because, as I said in my statement, I think that the stakes are so high here in terms of international peace as well as peace in the area, and certainly in terms of one of the more neglected problems, the impact of a full-scale race war in South Africa, brought back to this country in living color courtesy of your living room TV set. That is bound to have implications for our own society, which we really haven't begun to measure. So I am in favor of the mission.

I would only add the cautionary lessons that I hope the Secretary has taken out of his long experience with Le Duc Tho in Paris and that war; that is, that we can't win or lose South Africa or Rhodesia or anything in southern Africa any more than we could win or lose Vietnam. We can stand for something, and I heartily endorse what Professor Marcum said about our example, particularly with regard to American corporations.

I don't see how the Secretary can conduct effective diplomacy in that area unless it is also accompanied by the most strong and demonstrative policy with regard to American economic interests in the area and also, I might add, unless we are also prepared to set an example here at home.

I think the ultimate undercutting of Kissinger's diplomacy would be a reluctance in this country in domestic terms to deal with our own racial problem. So I am in full support of the mission.

I am not very sanguine. As I said in my statement, I think he is going there with his gun only half loaded in terms of expertise, as well as credibility. He is not going to be nearly as effective as he is in the Middle East. It is very much as if we were approaching the Arabs and the Israelis with only one-half of the expertise represented. However, I think he should try. If he fails, I think it will be one of the more noble tries of his tenure.

Senator CLARK. Thank you.

Don McHenry?

Mr. MCHENRY. Mr. Chairman, I have mixed emotions about what the Secretary is doing. I am glad to see that he is finally devoting his attention to this question and that he considers it serious enough to involve himself personally; but I must say that I do not approve of his style of operation.

I think the question which you were just discussing a moment ago is an example of the kind of problem which arises. A Secretary of State has problems meeting with the leaders of various liberation groups.

We have a whole bureaucracy which, though we sometimes speak of it with disdain, has some very, very capable people in it. We have ambassadors out in the field. I do not believe that American foreign policy depends on whether Henry A. Kissinger takes a plane and leaves Andrews Air Force Base. Our policy has to be based on more than the ability of one man.

As I also stated in my statement, I am concerned with the Secretary's motivation and the values which he has taken with him. I don't believe he has the expertise. I know he doesn't have it with him.

I think that what he is looking to build is something which is consistent with his emphasis on moderation and stopping communism, and so forth, which are not the central issues in southern Africa.

Senator CLARK. Thank you.

Professor Munger?

Mr. MUNGER. Thank you, Mr. Chairman.

Yes, I approve his going. As I suggested, I wish someone had gone 10 years ago. I wish that this committee had been as active then as you have made it now. It is late, but the issues are very great, not just in terms of white lives.

My emphasis in talking about the white oligarchy where we ought to recognize the possibilities for change is not necessarily to save the white lives, it is to save everybody's life.

I am appalled by what is happening in Mozambique. I am appalled by the drop in the standard of living, the lack of opportunities for children to get to pediatricians, and so on.

The price of chaos in southern Africa is a very high one, and it will be a great tragedy if the black people of southern Africa have to pay another price after all the years in which they have borne white oppression in one form or another.

It is certainly worth an effort to try to achieve a transition to a just society. I don't think we should foreclose exactly what that is going to be. I don't think America is necessarily the model for all other countries in the world.

If I might comment on Dr. Marcum's statement, I don't believe that if there is some fragmentation this won't lead to some integration, to some Federal system. I don't think that is the final answer.

These issues need ventilation. In this regard, I think it is excellent that the Secretary is going, although I share Don McHenry's feeling that I wish he had started before and that he were a little more expertly organized.

Senator CLARK. Thank you.

Professor Marcum, you have spoken some about this, but how do you view this trip?

Mr. MARCUM. Mr. Chairman, first of all, I am bemused by the new style of diplomacy—block booking hotels, and cars, blitzing the media. It is a very immodest and very spectacular form of diplomacy. What matters, is whether it succeeds; whether it has continuity, followup; whether it leads into an entanglement that we regret because it was carried out in a great hurry as a kind of episodic event; or whether it reflects careful, principled and thoughtful preparation and carry-through. I am squeamish about this.

I share the feeling of the others here, that it is good that we are now aware of southern African problems. It could scarcely be otherwise, I suppose; but I am very worried about the character of our involvement.

I would prefer a careful approach, more attention to the precrisis options that are available to us on the South African front. We should not be totally preoccupied with trying to salvage things which we have allowed to deteriorate perhaps beyond salvage at tolerable cost in areas such as Rhodesia or Namibia.

Senator CLARK. Thank you.

My time is almost up. I am going to turn to Senator Percy.

The next round I would like to ask each of you, in even briefer fashion, to comment on the Transkei. I want you to be thinking about the Transkei and what your recommendations is to our Government. Transkei is going to be coming forward within a month or a little

more. I want to ask what that means in terms of the homeland policy apart apartheid, how each of you would relate that and how you view that.

Senator Percy?

SENSE OF URGENCY

Senator PERCY. Relating to the chairman's question and comments that have been made on the trip of the Secretary of State and the haste with which it was put together, I have developed, certainly I think Senator Clark did, in meeting with him and others in the department that it was a sense of real urgency. I came back a few months ago feeling there was a sense of real urgency, that time was running out.

To get it into perspective, the need for that trip, what chances do you see, if nothing was done, that there would be a much more violent war by, say, the end of this year? Do any of you care to comment? How strong a sense of urgency do you get about the situation?

Mr. MUNGER. Senator Percy, I feel it is very important that we get started on this task just as soon as possible. I don't feel that this is the blowup, the balloon going up or anything of that nature. That kind of thing has been predicted in South Africa. I think someone has been saying "it has to happen" ever since 1921, but there is no doubt the clock is getting closer to midnight. I think it is very important that we start now.

There are, as I am suggesting, a lot more options for change within the white oligarchy than have been recognized, certainly by the American media, which see things in a very simplistic fashion on the whole. There are many more possibilities for organizing southern Africa, not necessarily for fragmenting it, of giving Africans a share in the resources, indeed, of all of South Africa.

I just don't think we have begun to explore those options. I would hope that they have been spelled out more carefully; but I strongly support the fact that we are getting into the act and whatever input we can have, now is the time to start to make it.

PRIORITY, CHANCES OF SUCCESS IN NAMIBIA, RHODESIA, SOUTH AFRICA

Senator PERCY. Could each of you place a priority, one, two, or three, on what chances for success that you think the Secretary can have, that is, to have our presence and our offices used to help bring as close to a solution of first Namibia, secondly, Rhodesia, and third, the problems in South Africa itself?

Which would you place first in priority and the greatest chances you would give to success on this particular trip? To which would you give the lowest priority?

Mr. MCHENRY. Senator Percy, there is absolutely no attention to South Africa. The Secretary has made it clear that he is not addressing that question at this point. His concentration is on southern Rhodesia and Namibia. I think it is the wrong way to do it because I think that the questions are so intertwined that it is very possible that in trying to resolve Namibia and Rhodesia, the Secretary may help build the structure which affects South Africa. I think he is making a mistake there.

It seems to me that we are very rapidly reaching the point where

what the United States does is irrelevant. We have ignored the situation for a very long time. There is fighting. People are suspicious of us, suspicious of our motives, and suspicious of our values. I have almost concluded that what we do is irrelevant to conditions in southern Africa, at least in southern Rhodesia and Namibia.

Mr. MARCUM. I would subscribe very much to what Don said. Again we have to recognize the limits of our capacity to change things, particularly when they have been allowed to deteriorate to the point where they have.

These are very interrelated matters. We may not be able to "shape" all these events. It does seem to me that the greater chance we have for creative influence is precisely in the area that has not reached an ultimate point of crisis—although the situation is intensely troubled in South Africa.

As for Rhodesia and Namibia, by working with African states and by offering our good offices, but being even-handed, we might manage to be helpful. We might be able to be a catalyst for some solution.

However, I think we should accept the fact that we may not be able to be and should not assume that we have to solve these problems because, if we assume that, we may find ourselves embroiled in entanglements and commitments that we may very much regret later on.

Mr. MORRIS. I will add, Senator, that I think that not only are our chances very slim, but I think our qualifications to negotiate a settlement are very low, too. I don't think we really have what is takes in terms of either moral authority or a vision of the future. It is really, in plain language, quite none of our business how that part of the world is organized.

At most, as Professor Marcum suggests, we can provide, it seems to me, a kind of shuttle catalyst here in which the Secretary acts as an opportunity, a live opportunity for these parties to come together for their own reasons because of their own balance of forces, and perhaps negotiate a peaceful settlement.

It is very much like the Middle East. The Arabs and Israelis don't do it as a favor to Washington. They do it because they have their own interests. The Israelis negotiated after the war because they were in a tight military situation. Unless there is reason on the two sides, a reason rooted in the politics of the two sides, then no amount of shuttle diplomacy will succeed.

It seems to me our chances of enforcing or of imposing any settlement are very slim.

Let me say, very quickly, two things in defense of the Secretary of State, for whom I do not often have very kind words.

Senator PERCY. I was delighted to see your statement. I was a little concerned. You know, the timing of these hearings, we didn't time this to coincide with his visit. You were invited to testify before that trip was announced.

It is fortuitous that we have these hearings, I think, but I was really concerned about some of the comments that you made for fear of it really injuring or hurting the Secretary's trip.

I hope equal prominence by the press will be given to the fact that you really have attributed to Secretary Kissinger extraordinary understanding of some of the problems and have been balanced, I think, when you read the whole testimony and your comments on it.

Go right ahead and expand on that.

Mr. MORRIS. I don't think that Secretary Kissinger has been one of the great voices for civil liberties or racial justice in this country; but I do know on a personal basis that he is sensitive to those problems because of his own ethnic background and experiences and because he has an intellectual appreciation of South African history.

I would also say that we have here a factor which no one has mentioned, which is quite fortuitous. That is that he is coming, for better or for worse, to what seems the end of his tenure in American foreign policy. Even if the President is reelected, there are indications that he will leave.

I think there are very pragmatic and personal reasons why he wants very much to succeed in these negotiations. So I think that when you weigh those pragmatic reasons beside the problems that he may encounter or the biases that he may feel deep down inside or even his lack of experience in African affairs, that you still bring into play the extraordinary brilliance and skill of the man.

We shouldn't really forget that was there, both in the Vietnam negotiations and the Middle East. While the results have not always been as good as we might have expected. I think he is the most gifted diplomat we have had, in this generation certainly. If we had to send anybody to South Africa, I am glad it is he.

Senator PERCY. I very much appreciate those comments. I think you are right on that. Attributing to him a personal desire to be successful is not dishonorable at all. That is the nature of man, in a sense.

There is a coincidence here of a desire given for him to succeed and the country to succeed and our objective for peace to succeed. My final question in this round ——

Mr. MUNGER. If I may say specifically, I think the chances are least in Rhodesia; but I think the Secretary is absolutely right in taking up the Namibia question and not getting into South Africa now, because the best interests of everyone in South Africa is a peaceful transition to a just society in Namibia. Those who hold the power, in South Africa, whether we like it or not, are looking for models.

In Namibia, if there can be, however it is done, a transition to a just society, nothing we could ever begin to say here would have a greater impact upon what could happen in South Africa. I am particularly cognizant of this because I was in Kinshasa, then Leopoldville, at the time of independence in 1960. I wrote a number of articles for the American universities field staff on all the chaos and the many unfortunate things that happen during violent transitions to an independent African state. Then I spent several months in South Africa, and I must say, the whole movement of a more enlightened approach in South Africa was set back by perhaps 10 years by the example of what happened in the Congo or Zaire.

I would hope that Namibia could prove an excellent example which would encourage them to make a change in the present system of government in South Africa.

Senator PERCY. If you got a chance to glance through a report I made after I visited in Namibia, I violently disagreed with our State Department policy of hands off and almost ignoring it. If ever there is a role for leadership in our offices, it was there. I couldn't be more

pleased to hear what you said. That is exactly what I think I told the Secretary when Senator Clark and I were with him, that that to me is the number one priority because it is the greatest chance for success and it does relate to the others.

If we can be successful there, we can help in the two others, immensely I think. I appreciate your comments, very much indeed.

I would like to give Mr. McHenry a chance to talk. I think I saw you shaking your head and you disagreed with me. I will give you equal time on that.

Mr. McHenry. Two points.

Senator Percy. You weren't shaking your head up and down?

Mr. McHenry. No, I wasn't. Two points, first, no one is accusing the Secretary of State of being insensitive or a racist. That was not the import of my remarks and I don't think that anyone who has looked at the Secretary's operations or knows him as I do—and I have worked with him—would make that kind of accusation.

What we are saying is that the Secretary brings a world view, a set of values to the southern African problem, and that these values have created much of, or helped in getting us into the kind of problem that we are in now in South Africa, I believe he is applying those same values now.

Professor Marcum's analysis was absolutely correct. If you read the Secretary's current statements on southern Africa, one finds the very concerns that have been there all the time. And it is not going to work. It is not going to work. It may work temporarily. We may have another temporary structure as we had in Vietnam, the so-called peace settlement which falls apart as soon as the ink dries on the paper.

I would suggest that the same thing is going to happen in southern Africa if we continue along the lines that we are following right now.

Senator Percy. Thank you.

PROPOSAL TO COMPENSATE WHITES IN RHODESIA

Professor Marcum commented on the Anglo-American proposal to create a fund to compensate whites in Rhodesia. Possibly we have only time for one additional comment. Would one of you comment on that fund, as to how you feel about that fund and its establishment, because this is something we will be faced with right here? Later when I come up again, others can comment.

Mr. Munger. I would not support the idea of the United States and the American taxpayers putting up money to buy out white Rhodesians, simply in the sense that they have made a lot of the country, that they have done something for its development. If that were as far as it went, I would be opposed to it.

As I understand it, and the details are somewhat inchoate, the idea is to have a move to a black majority African Government and at the same time not remove the infrastucture, which in the short run, at least for a decade, is important if you are going to have the most rapidly rising standard of living for everybody, and particularly for Africans. They would benefit the most by it. We have seen disastrous examples where large cadres of people—for example, the doctors from Mozambique I referred to and others—suddenly left the country in large numbers.

The idea would be, as I understand it, that the longer people stayed, the more compensation they would get. Those who wanted to leave tomorrow would not get compensation. So it is not really done so much in their interest, but rather in the interest of the long-range stability of the country. Under African leadership, I would expect that Zimbawe would be a tremendously booming territory.

I have reason to know that many mineral discoveries that have been made there, but were not reported. I would like to see an African Government benefit from these; but they will need a working infrastructure and that will take some time. The white infrastructure will not automatically be replaced because of the many years of deficiencies in African education.

Senator PERCY. I think your understanding of it is exactly as I understood it and it is to prevent what we have seen happening in Mozambique, which is so devastating to the economy. It made their jobs so difficult there where everybody pulled up and left and you had to make up for the loss.

TRANSKEI RECOGNITION

Senator CLARK. I wanted to ask for comments, just very briefly, from each of you. I think first, Mr. Munger because he raised the question of the Transkei.

Let me state my question again—I know it is complex, but as briefly as you can answer. Should the United States recognize the Transkei when it is established next month? If so, does such a recognition, in your judgment, give support and encouragement to the apartheid system?

Mr. MUNGER. Senator Clark, whether we recognize it or not, in one sense it has to be set within the framework of our relations with the Organization of African Unity. With their apparently implacable opposition at present, I think that casts questions on what is the prudent course for the United States to follow.

I do not accept that every state in Africa—and I do not mean to be perjorative about it—whether Sierra Leone or Niger—necessarily knows better than the United States what might be in the interest of the majority of the people of South Africa.

I think there has been far too much deference paid to individuals who really don't know. There has been a lot of parroting of ideas without very much analysis sometimes. I am very much concerned in that regard as to what happens on the East River.

If you ask me, sir, whether it would be in the best interests of creating a just society in southern Africa, I would strongly recommend that the United States recognize the Transkei on its day of independence. I would think that perhaps the people who would regret this most might very well be the South African government. I think they will find, to use a colloquialism, that they will have a tiger by the tail.

I think it is a great mistake to think that Kaiser Matanzima and his Cabinet ministers are some sort of stooges that are interested in white supremacy. They are interested in black supremacy, or at least equal rights.

Even the fact that they set up a state in the Transkei which is nonracial and has no discrimination, which was what they are aiming for, this will be a good example for better race relations within South Africa. I think they will give a lot of help to the cause of African justice within South Africa.

I respect my colleagues here at the table. I know they disagree with me, but those are my strong views. I have visited the Transkei frequently over the last 30 years and I am delighted to see it becoming independent. I think it will be a strong force for justice in southern Africa.

Senator CLARK. Let me ask a little bit further on that. Personally, though I know very little about it, I have very little doubt that Chief Matanzima wants white supremacy. I agree with you, I think he does want black supremacy.

More specifically, that is the think that concerns me, whether we would be giving greater substance and encouragement to the apartheid system by recognizing the Transkei. How do you feel about that specifically?

Some argue, as I guess I would, although there are some desirable things about giving people who live in the Homelands a certain degree of autonomy on the one hand; on the other hand, it is difficult to see how the apartheid system can ever work unless the Homelands are established.

To establish Homelands and to recognize them is to, in a sense, give sanction, support and encouragement to the apartheid system. I think you do not share that view.

Mr. MUNGER. I don't, because I think apartheid is a hollow shell. I am quoting persons who are close to the leading circles of the Nationalist Party, I agree with them, apartheid is a shell. The thing is breaking down. I think we are tilting at windmills to some extent. We should get away from the ox-wagon thinking that this is an expansion of some deep plot to permanently fragment or vulcanize South Africa.

I see the Transkei as a very dynamic state which will go forward if it isn't left fully dependent upon South Africa. However, American investment there, as I have said before—I think it was before Congressman Diggs' committee on one occasion—should be encouraged. The United States should be encouraged to put up a technical high school, to help the burgeoning law school, and so on.

I do not see how the United States is going to go wrong by investing money in black education in the Transkei or by helping create jobs for the citizens, a great majority of whom, but not all, are black in the Transkei.

I am under no illusion that this is going to be accepted because I think that there is such a cliche about the old type of thinking about South Africa and Afrikaaners that recognition would appear to support apartheid.

In fact, I don't even know any more what the word apartheid means. I know it is petty discrimination, to which I am totally opposed. I am opposed to any racial discrimination; but I am not sure that there aren't different ways of organizing a society. I think the Pakistanis would say something if we said they had to stay in India. There are many other examples of that kind.

I think we are being a little bit self-centered in suggesting that the American system, in a constitutional sense, is the only one that is workable for other parts of the world. That is why I believe, that a Transkei Embassy in Washington would put forward the cause of Africans and I think they would convince other African states in due course that they are good guys and not the bad guys that they are now being labeled.

Senator CLARK. If you see apartheid as a shell, as you said, then you view Prime Minister Vorster's statement of the day before yesterday, he would never share a power with other groups, meaning blacks and coloreds I think, as being political rhetoric rather than something he can continue to pursue?

Mr. MUNGER. Yes. I believe, Senator, that when a situation is changing extremely rapidly, is almost in a fluid battle situation, that is the time that you must assert that nothing is changing.

Indeed, the particular venue at which he asserted that the circumstances were not mentioned in the American press. There have been a series of National Party Congresses throughout South Africa. We even heard that in some conventions in the United States.

Senator CLARK. We have been known to exaggerate.

Professor Marcum?

Mr. MARCUM. Senator, I would take the following position with regard to whether the Transkei will play the kind of role that Professor Munger has suggested—we ought to let it prove itself. As he suggested, we ought not to impose our federalism. And it seems to me we also ought not to be the power that decides or determines in this regard what direction South Africa goes in. To recognize Transkei would indeed be giving the blessings of a great power to a particular "solution," that of dismantling the country.

What concerns me about this is that this "solution" coercively strips over 1 million, about 1,300,000 Xhosa people of their citizenship in the Republic. Even though they have not lived in Transkei, they are held to be culturally or ethnically related to the Transkei. The "solution" is coercive. The people not concerned have not been consulted about it.

It does not seem to me appropriate for the United States to give its blessings to that particular formula. I don't know what is right ultimately or what may finally prove to be a solution. Indeed, there will have to be some compromises; reason must prevail at some juncture, unless the situation is simply to lead to a horrible blood bath.

I don't think we should preempt the role that is perhaps more rightfully held by the Organization of African Unity, if anybody outside is going to make judgments on this.

Let the Transkei prove itself. Then depending on the role it plays, we can look at it again later.

Senator CLARK. Do others have any comments to make?

Mr. MCHENRY. Mr. Chairman, I expressed my view on the Transkei in my statement. I don't think that we should recognize the Transkei, not because of the OAU's position or the U.N.'s position or because Chief Matanzima is a stooge or because we feel that our system is the only system there is.

I don't think any of those paints are decisive, if true. They are factors which one considers, but they are not the determining ones.

It is not our role to decide what happens there; but it is also not our position to give it a blessing, to give it the respectability which recognition would give it.

The fact is that a majority of the population of South Africa, that is, those who inhabit South Africa have no role whatsoever in deciding that this change in their country is going to take place.

If, given a role, they decide they want to split themselves up into these parts, that is their business; but they have not had the role. They have no part in this decision; nor did those, who have never seen the Transkei and who are now being forced to accept Transkei citizenship, have any role in making the decision to set up an independent Transkei and to become citizens of the Transkei.

Secondly, I think Gwendolyn Carter made the best description of this in her book in 1963 or 1964—her book is entitled "The Transkei: The Politics of Domestic Colonialism." This is precisely what it is.

However, whether I view it as domestic colonialism is unimportant. The point is that all of the people of South Africa have not had, a role to play in this decision. If, given a role, they want to do it, fine. I would not recognize the Transkei.

Mr. MARCUM. Senator, I have to append one comment. I subscribe to what has just been said.

One additional point is that the other "homeland" leaders have opposed independence. For the United States to choose to back it puts us in opposition to what they have decided.

In other words, we will have entered into a domestic process. We really have no business in making those choices.

Senator CLARK. I gather there is some question about other chiefs' views of this. Buthelezi made it quite clear he opposes it. It is my recollection about Buthelezi and that all but two of the so-called homeland chiefs who met a couple of weeks ago, that they opposed recognition.

Mr. MORRIS. I wanted to say that some of this conversation is quite a bad case of deja vu. When you think of all the talk that went into deciding whether Big Minh was on our side or whether General Thieu had control of the four northern provinces, I don't think it makes the slightest difference what the attitude of the Transkei leader is. The logic of this move is partition.

The United States, as I said earlier, is not qualified nor, it seems to me, in a moral or diplomatic position to make a decision like that.

Even beyond that, it is one of those absolutely irrelevant developments in the course of his visit. We are not going to be confronted with a discussion on the Transkei. That isn't an operational decision. The decision is how to deal with what will be the mounting violence in that part of the world, how you deal with terrorism when it begins to strike the cities and begins to kill people, how you deal with international retaliation across African borders by the South African military.

It seems to me that the real policy questions, if Secretary Kissinger is not successful in negotiating a settlement, are really quite agonizing and they really haven't been discussed here. That is, how the United States begins to deal with the very complex problems of international violence in that part of the world, because if violence comes it will come in a magnitude and a force and a sheer bloodiness that we haven't seen since Vietnam and it is bound to have an enormous impact.

So the Transkei strikes me as a red herring across the trail, and not a very important one at that.

Senator CLARK. My time is up. I will go back to Senator Percy, and then come back to you.

FUND TO COMPENSATE WHITES IN RHODESIA PROPOSAL

Senator PERCY. Mr. Morris, and Dr. McHenry would you like to comment on the last question on the Anglo-American proposal to create a fund to compensate the whites in Rhodesia?

Senator CLARK. This is on the guaranteed fund, Senator Percy?

Senator PERCY. Yes.

Mr. MCHENRY. Senator Percy, I am afraid I don't know enough about the fund. We have seen only——

Senator PERCY. We don't know a lot about it ourselves. It has been outlined. There will be something provided for those who want to leave, the whites who want to leave right now. They may get 10 percent of what their equity is. It is a fund guaranteed by the United States, Germany, Great Britain, and France, and a number of countries, possibly six or seven or eight participants.

Then the incentive would be for them to stay, with a guarantee that the longer you stay, the greater the take out when you eventually leave.

Mr. MCHENRY. I have seen the outline of the fund. In fact, the Secretary gave two reasons for it. A part was the incentive to stay and a part of it was a way out, a relief valve.

My own concern is that if the fund has been the issue of concentration, then it seems to me we are currently concentrating on the wrong issues.

I do not oppose, in fact, I would favor, our developing some kind of way to encourage people not to run, so that one has some kind of continuity. But if you look at those instances where running has taken place in Africa, the running took place because of previous errors.

The running took place from Zaire, the former Congo, because the Belgians had not done the proper work in making the transition. If running takes place in Southern Rhodesia, it will be as much because the Southern Rhodesians fear that they will get what they have given.

The longer they continue to give and to repress, the more likely it is that they will get what they have given. It is like hazing, which continued in the universities for a long time. The guy who was going through the hazing opposed it. He didn't like that experience while he was doing it. But once he had gone through it, he took the position "I got it, so I am going to give it to the new guy who comes along."

I would think that this would be a terrible philosophy for the Africans to take if they assume power. But I think the likelihood of chaos developing and the likelihood of the necessity of white flight is going to continue and to rise so long as we don't have the change.

The change has to take place.

Senator PERCY. Mr. Morris.

Mr. MORRIS. Again, I would have to say that if there is any single lesson that we ought to have learned in the last decade, with all the incredible cost in lives and treasure of this country, it is that we cannot do these things from the outside.

We cannot buy our way through these problems. I mean I hate to keep reminding us of the past, but this scheme reminds me of nothing so much as the great Mekong River development program, which President Johnson put so much into.

We were going to make Hanoi over into the Houston of Southeast Asia. It just seems to me senseless.

What Don says is absolutely right, that what will determine white flight, what will determine the tranquility of the races in that part of the world, will be local forces that have very little to do with external amounts of money.

It seems to me that in fact this has the danger of becoming very counterproductive. It is a little bit like going into a white neighborhood, as Jimmy Carter discovered in Pittsburgh or Atlanta or anywhere else, and offering a nice piece of change to move out so the black ghetto can expand. It is the kind of a reaction one gets from people who feel they are a part of the land and it is true of Rhodesia and in South Africa that the whites do feel in varying degrees part of that land.

Some of them trace a long history there. It only makes the resistance more stubborn. It only makes it seem much more patronizing. It seems to me in the end it is counterproductive.

I would hope the Secretary puts his billfold away and gets out his history book, because that is what he is going to need to solve his problem.

Senator PERCY. I can assure you I will not seek the opportunity to be a floor manager for this piece of legislation.

Dr. Marcum, you opened the subject here in your testimony. Why don't you make the final comment?

Mr. MARCUM. I want to be sure my position is clear. I am not necessarily opposed to the Secretary's initiative, but it seems to me whereas it might have been successful as part of a proposal 5 years ago, the chances would have been far greater then. I am dubious about it at this point.

If all of the parties concerned should find it part of a settlement that they can accept, fine. By all means if it helps produce a settlement, OK.

But if, on the other hand, some take very strong exception and consider that it is part of a particular settlement to which they cannot subscribe and they attempt, or say they will attempt to oppose it, we should be aware of where that could lead us. If we commit our funds and our prestige to a particular solution, we may have to defend that solution against those who don't like it, against those who may be too "radical", who prefer solutions, such as Professor Munger said he does not, like those in Mozambique.

We cannot necessarily shape those events at tolerable cost anyway and we should beware of getting caught in another involvement which we would deeply regret.

Senator PERCY. Thank you.

IMPORTANCE OF BYRD AMENDMENT REPEAL

I would like to ask all of you how important the Byrd amendment is in southern Africa. In Lusaka the Secretary proposed the repeal of it. I support repeal. If it is to be put on the floor today Senator

Allen, I am sure, would see that we stay through the election and Christmas as well. So it will not be on the floor.

Do you feel it is important that it be repealed, or do you feel it is important to be a matter of high priority in the new Congress? Could you make your answer brief?

Mr. MUNGER. I feel it is a matter of importance that it be repealed.

Mr. MCHENRY. It is a matter of principle that it be repealed, though I don't think it will affect the situation in southern Rhodesia. It is a part of establishing the credibility that Professor Marcum was talking about.

Mr. MARCUM. I think integrity and credibility are the key words, and we need those desperately as we go forth in other negotiations.

Mr. MORRIS. I think it is much less important than the integrity and credibility Secretary Kissinger has on his plane at the time.

USING ECONOMIC LEVERAGE TO ENCOURAGE SOCIAL CHANGE

Senator PERCY. Professor Munger, would you comment on Professor Marcum's policy recommendations for using economic leverage to encourage social change in South Africa? How much can we accomplish in using our economic leverage?

Mr. MUNGER. Senator Percy, this is a very tendentious area. I am sometimes concerned, as other members have suggested, about the inability of Government or the bureaucracy in general to take effective action in areas which are not primarily our concern as compared to the people who live there themselves.

I do think that what Mr. McHenry did in his study of wages paid by American corporations in South Africa led to a very salutary improvement, although perhaps not near as much as it should have been.

There are other things which are under way in the private sector. In fact, I was out raising some funds a couple of weeks ago in California to support a black training program for black executives in South Africa. I hope to raise some more tomorrow in New York City.

I am not sure the American Government should give a lead on this. But as far as the detailed planning and having excess profits taxes related to the wages which are paid. I think this is a sticky area and very hard to legislate and fine tune to apply to a situation so far away.

It is not that I am opposed. I want American companies to do far more. I want more American companies to have black executives at higher wages and to give equal pay for equal work. But I am not sure this is the way to go.

TAKING SIDES AMONG CONTENDING GROUPS

Senator PERCY. Mr. McHenry, in your testimony you say we should "assure ourselves that in our zeal for peace and establishment of moderate governments we do not end up taking sides among the contending African groups."

I concur with you in general, but I wondered if you do make an exception in the case of SWAPO. They seem to have a status at the U.N. among the African nations somewhat different than a contending

group, even though Prime Minister Vorster described them to me as a "bunch of Communists and conceived in sin and just one of many groups." I don't see how you can find a solution there unless they are part of the negotiating process, unless we take into account the unity that stands behind them in Africa.

Mr. McHenry. I don't take any exception even with SWAPO. We should not take sides among contending groups, and that includes SWAPO. SWAPO's position comes as a result of its contacts with the a significant segment of the population. You cannot solve the problem in Namibia without dealing with SWAPO and having it play a major role. That is a fact of life.

That doesn't mean that we take the side of SWAPO. We shouldn't support SWAPO any more than we do SWANU—Southwest Africa National Union—or SWANUF—Southwest Africa Front for National Unity—and all those other groups that were in existence at one time or another.

COMMENTS ON MUNGER RECOMMENDATIONS

Senator Percy. I think that clarification has helped me. I agree with that. But I think we have to take them into account, certainly.

I wonder if any of you would like to comment finally on the analysis made by Professor Munger and recommendations that he made. There is a list of those recommendations. If any of you would like to comment on those, as to whether you agree or disagree with any of them.

Mr. McHenry. Ned and I have been disagreeing for a long time on a number of things.

Senator Percy. Do you want to be specific in this case?

Mr. McHenry. I am afraid I don't have the manuscript with me.

Mr. Munger. I supported American aid, for example, giving the library to a free and independent Namibia and saying we do it now and support a nonracial university.

Mr. McHenry. I don't think we have any responsibility for, nor should we get involved in, Namibia, until there is a change of government there. And I wouldn't do it. That doesn't say I don't support libraries and American assistance in southern Africa.

But let's clarify the situation as to who runs the place now. For example, now we have a legal problem. The U.N. says that South Africa is there illegally. We agree with that. We supported the U.N. decision. We supported the International Court of Justice decisions. We argued before the Court. With whom are we going to deal in putting a library or what have you in Namibia?

Mr. Munger. I don't think I said that. We should say now that we would build a library or support it in a free, independent Namibia.

Mr. McHenry. In a free, independent Namibia we will deal with the free, independent Namibian Government. Why tie our hands now? I am not opposed to a library. I am not opposed to having contacts with a free, independent Namibia.

Mr. Morris. What if the Government is not free? Would we still deal with it? That is another dimension we haven't talked about. I don't think one ought to expect here, along with all the cynicism we muster about ourselves, that the successor states, whatever they are, are going to be inevitably a significant improvement.

We are dealing here with people who have, because of the nature of their oppression over a long period of time, absolutely no experience with democratic forms of government, and we are discovering, it seems to me, elsewhere in Africa that you pay the price of colonial subjugation by cultivating habits of dictatorship and even of genocide.

So that we ought not to make the mistake of being too sanguine about the democracies that may issue from whatever happens in southern Africa.

You can say independent perhaps, but I wouldn't bank on it being free.

Mr. McHenry. I was using the term "free" not in the cold war Communist–U.S. sense, communism versus democracy, but free of the South African Government. The freedom to make their own decisions, whatever they happen to be.

I don't know what kind of government there is going to be in Namibia. That is why I wouldn't support making any commitments on what we are going to do.

Senator Percy. Finally, Professor Marcum.

Mr. Marcum. There are other available opportunities for helping to strengthen situations that we think are exemplary. For example, Botswana. We could do a great deal more to help it. Botswana is trying to construct a society which could serve as a model for the area. We should not overlook such opportunities. There is nothing preventing us from being constructive and creative in such areas.

Senator Percy. I presume all of you feel that what was done by the Congress and by the Senate the other day on southern African assistance and mutual assistance met with your approval. We are trying to work very, very closely with the executive branch of Government and give a great deal of credit to our distinguished chairman.

COMMENDATION OF WITNESSES

Mr. Chairman, I would like to indicate I must leave now to go to the arms sales hearing that is going on. But I want to thank you very much, indeed, our very distinguished panel.

LISTING OF THOSE IN STATE DEPARTMENT HAVING AFRICAN EXPERTISE

I have a final request of Mr. McHenry. If you could leave with us the names of those unmentioned people in the State Department you mentioned in your testimony who are being ignored by Mr. Kissinger and who have expertise on southern Africa, if you could leave their names with us, if Mr. Kissinger will not resort to them maybe we can use their expertise. We would appreciate that private list by you.

Thank you very much. It is very helpful testimony.

Mr. McHenry. Mr. Chairman, I want to add that I deliberately left out names. But I don't want it implied that those people have been out crying because they have not been consulted. I don't want any retribution taken against them.

But the fact is, if you look at the group of people working very closely with the Secretary of State on this question, they don't have the background. They simply don't have the background, with the exception of the Assistant Secretary of State, Mr. Schaufele.

Senator PERCY. I don't want to create any unnecessary problems, but we are constantly looking for assistance and help. Certainly we would like to draw upon them if we can do so in such a way that will not cause problems.

Senator CLARK. Thank you very much. We appreciate your presence here as always at these hearings.

WORKING WITH LIBERATION MOVEMENT LEADERS DIRECTLY

We started off with Professor Marcum making a point we may not have learned a lesson in Angola. We may in fact be decided that one liberation group or two are at least leaning in one way or another. I suggested at that time that I remembered asking the Secretary of State specifically that question when he was here. I said in February.

I should have known that it was May because it was after his trip to Lusaka. He appeared before the Foreign Relations Committee on Thursday, May 13.

Let me read a little of that into the record here and then ask you to comment on whether indeed, if you are following his policy, you intend to agree with this.

I asked a question:

Senator CLARK. Now, the third general area that I was interested in. Are we prepared to work through the four front-line presidents whom you met with and who certainly seem to be the key to much of the solution of the problems, particularly of Rhodesia?

Are we prepared to work through them and meet directly with, and talk with, the Zimbabwe Liberation Movement leaders?

I know that you met with Mr. Nkomo, and I think we will be prepared to meet with other political leaders there. But I think the key question now, in terms of a solution in Rhodesia, is, through that Zimbabwe Liberation Movement which all four presidents have obviously unified behind and support, are we prepared to meet with them and work through those presidents with that movement?

Secretary KISSINGER. President Nyerere of Tanzania arranged a meeting with me in Nairobi with the foreign ministers of Mozambique, Zambia, and another minister from Botswana, and his own personal assistant.

It is our belief that the best way the evolution in that area can be handled is through the four presidents rather than to have outside powers get themselves directly involved in the Rhodesian conflict.

I met with Nhomo, who had been handling the negotiations with Ian Smith, and I was prepared to meet with the other representatives.

I end the quote there for a moment because I think it is important to hear that the Secretary doesn't say, "I invited others." He said he "was prepared to meet with the other representatives."

I am not quite sure whether that means he did invite others and they didn't come or whether he was simply prepared to had they asked, or exactly what that means.

To continue the quotation from the Secretary of State:

On the whole, however, I believe that the most constructive approach is to let the four bordering states take the principal role as the best means of keeping the great power concept out of this area.

I have assured these leaders that this would be the American attitude. They have given me to believe that this will be their attitude with respect to any other outside power.

Senator CLARK. I think that is exactly the right approach. I guess my specific question was would you be as willing to meet with members of the 18-member Council of the Liberation Movement, people like Mr. Robert Mugabe, who is going to be in this country later this month.

Are you as willing to meet with these liberation leaders as you would, let us say, with Mr. Nkomo?

Then the chairman comes in and talks about how he has to leave for another meeting, and so forth. Then we return to the questioning:

Senator CLARK. To repeat my question, Mr. Secretary, would you be as willing to meet with leaders of the liberation movement, people like Robert Mugabe, as you were to meet with, let us say, Mr. Nkomo, or any of the others?

Mr. KISSINGER. I frankly do not know the particular individual whom you have mentioned.

My basic policy, which we would like to pursue, is not to have the United States pick and choose among individual liberation movements, nor do we want any other country to do it.

Is that your own general attitude, Professor Marcum, that the Secretary of State is on the right track in this approach, or how would you comment or qualify your comments?

Mr. MARCUM. Maybe the best way to read that would be to suggest that the meeting with Mr. Nkomo was an aberration from that policy.

Senator CLARK. Yes, that is right.

Mr. MARCUM. Because he, after all, was, in that instance engaged in negotiations which were controversial. That is, there was disagreement among the black nationalist Rhodesians as to whether this was the right or not the right course of action.

But set that aside as an aberration. I would certainly subscribe to working with the front-line presidents, avoiding any repetition of choosing particular leaders, whether we know them or don't know them—and that already tells us something.

We know a good many in one party. We don't know the others. Should we therefore, shunt them aside? No. But in working with the presidents, if they at some point decide that it is appropriate for the Secretary of State to meet nationalists then indeed he might do so.

It sounds to me from that transcript as though the policy subsequently decided upon is indeed a wise one.

NSSM 39 INCEPTION

Senator CLARK. I tend to share your interpretation of that. Of course, we might both be wrong. We started this hearing by looking back at how our policy developed in 1969, at the beginning of this administration. Since that time the questions have been primarily about the current policy, the Secretary's trip, the recognition of the Transkei next month and so forth.

I would like to go back and look a little more carefully—and I guess these questions are really geared primarily to Mr. McHenry and Mr. Morris—to look at particularly NSSM 39, how it is related to present policy. We don't want to do it just for historic reasons, even though I find that interesting, so let's try to focus on making policy on southern Africa, why and how it went wrong, if indeed it went wrong 6 years ago. What specific changes in the foreign policymaking mechanisms would help to avoid similar errors in the future? Particularly those two of you have been involved in these policies, how can we change them?

First, let me try to clear up this point. Even though this could be a very long discussion and argument, let me try to get each of your points of view about this question of whether the State Department

really was in chaos at the outset. I noticed that Mr. Morris emphasized that to some degree, the fact that there weren't great strengths in the State Department, I gather in the African Bureau and that general area, as he understands it when NSSM 39 was being considered or written, the response to it.

I gathered that Mr. McHenry thought rather the opposite.

Without long debate, let's go back to that just for a moment and try to get your views succinctly on it.

Mr. MORRIS. Let me say, Senator, right away, that, though I had done some graduate work on African affairs, I was not an expert on Africa when I came to this problem. And it is when I discovered that I knew somewhat more than most of the other experts that I really became frightened by the whole process.

I think one has to make a critical separation here. You have two distinct generations of Foreign Service officers, diplomats dealing with African affairs. This was the first generation which learned its Africana from European sources and primarily served in the consulates that were accredited to colonial powers.

That generation inherited willy-nilly the senior jobs for the most part.

With the first wave of independence in the 1960's, we sent an awful lot of Foreign Service officers to school to the few graduate courses that existed in African affairs in the United States, and we trained them.

I don't have any statistics, but the overwhelming amount of expertise that came out of that era was expertise in black African affairs. The same thing was true of experience in black Africa. Most of the posts in Africa, after all, were in black-ruled countries.

The kind of expertise that was relevant to a review of southern Africa, aside from the Portuguese question which was always exceptional, was an expertise after all in the ethnic and singular history of that part of continent.

South Africa and Rhodesia obviously had a different kind of history than the black-ruled states to the north—and South Africa in particular.

Rhodesia was a more nearly colonial kind of situation, but South Africa had a long and complex history which involved relations with two mother countries which involved religious and intellectual and social and psychological factors that were certainly as complex and as intricate as any in European history.

What finally sobered and ultimately repelled me about expertise in the Department of State was what I saw as a very shallow appreciation of those factors.

I think it is still true today. I think when Secretary Kissinger takes along with him people who are African experts, he is taking along primarily people who are trained and experienced in black African affairs.

There is, as I wrote in the New Republic, even a kind of curious sociology in the Department of State, wherein people who served in the white posts in Rhodesia and South Africa very, very seldom got reassigned back into positions in black Africa or very seldom into positions of responsibility in the Bureau of African Affairs.

It is very hard to find in fact any kind of turnover, as it were, between service in Pretoria or Cape Town or Salisbury and the upper reaches, the Deputy Assistant Secretary positions, or the Assistant Secretary for Africa in the Department of State.

I don't want to draw any definite conclusions, but you could often infer from that that there was and is a kind of intellectual discrimination which took place when in fact what we ought to have been looking for, it seems to me, was a kind of dispassionate and objective analysis which a Foreign Service officer is supposed to be able to make on the basis of his experience.

I am talking about a sensitive appreciation of the historical and political and economic and social facts which have to go into this kind of negotiation.

The analogy, it seems to me, is again inescapable. It is as if Henry Kissinger went into the Sinai to negotiate the Middle East problem only with position papers written by Arabists, and as if he ignored that there was such a thing called the Israeli cabinet or a history of the Jewish people.

That is largely the kind of mistake we are making even now in southern Africa.

Senator CLARK. Mr. McHenry.

Mr. MCHENRY. As I have indicated, I have a different view of what this situation was. It does seem to me that the fact that we change administrations every once in a while had a great deal to do with the kinds of problems which we were faced with in 1969.

We had a new administration coming in with a new leader in the Office of Special Assistant to the President for National Security Affairs, who then started a review of the entire range of our foreign policy questions.

This, it seems to me, gave a marvelous opportunity for those sections of the bureaucracy which had been dissatisfied with previous decisions.

It is said that there was chaos and no positions. Let's look at what the situation actually was. A decision had been taken on the tracking station. Mr. Kennedy had taken a decision in 1963 that new facilities were to be built and NASA was building those facilities in Spain. NASA knew that the question of its getting out of South Africa was there and that they ought to get out.

The point is that they, having built the new facilities, having spent millions of dollars of the taxpayers' money to build alternate facilities, still did not want to leave. On light aircraft, the Pentagon and the Commerce Department wanted to make sales of light aircraft. But if you look at the records of the United Nations you will find that Mr. Barrett O'Hara, Congressman O'Hara, who at that time was a representative of the United States on the UNGA (United Nations General Assembly), raised the question of light aircraft and had hearings immediately afterwards and discovered that a decision had been taken.

The administration had decided there would be no light aircraft sales from the United States for the South African military.

On the question of the calling of U.S. ships in South African ports, the decision had been made that no U.S. ships were to call at South African ports except in dire emergency.

Ex-Import Bank, that also was in Mr. Kennedy's directive in 1963.

The sales of Boeing 707 aircraft to the Portuguese to use for transporting Portuguese troops between Lisbon and Angola and Mozambique, that decision has been made too. It was made in the negative.

Now, on each one of these decisions there were parts of the bureaucracy and there were agencies all interested in reversing them. The fact that you had a new administration, determined to review policy, the fact that the administration was going to be more probusiness, the fact that the administration was going to be more concerned with so-called strategic interests, the fact that it was going to be more concerned with NATO, all of these things made it possible for those agencies which wanted change, which didn't like the decisions which had been taken, to make it appear as if there was utter and complete chaos.

Second, it seems to me that one of the problems that has existed with Africa for some time was the fact that there was no attention given to it. Because there was no attention given to it, because Mr. Kissinger and, indeed, the Secretary of State didn't want to be bothered constantly with the kind of questions which arose from the flexible policy which we had, they sought some kind of overall formula. They seemed to seek an easy way of determining how to react to the difficult situation in southern Africa.

There is no way of coming up with an easy formula for deciding the issues which arise.

It seems to me that one of the advantages of the pre-1969 policy was its flexibility. But, as everybody knows, flexibility also has the disadvantage of forcing one to look at each situation.

I don't want to pass on specific personnel involved in African affairs. It is a fact that within the State Department assignments to the Bureau of African Affairs have not always been looked upon as plums. Who wants to be in a bureau which is going to be ignored? Who wants to work where you are not promoted because you have not come to the attention of the people who count?

Therefore, you did have difficulty within the State Department, and I would suggest that probably there is still difficulty within the State Department with regard to this particular question. They must be sitting there furious now, with all of their expertise, not being involved when Africa finally gets the attention of the Secretary of State and the Congress and the American public.

But I do believe that there were and there are people who have the competence, people who have the sensitivity to pass on these issues and that those people are available within the U.S. Government.

OPTION 2 OF NSSM 39 RECOMMENDATION TO PRESIDENT, ADOPTION

Senator CLARK. Let me ask you, to reverse the order here, did Secretary Kissinger, in your judgment, actually recommend option 2 to the President? Was option 2 adopted?

Mr. MCHENRY. The Secretary's covering memorandum NSSM 39 is available, just as the report is available. He says in there that we should go along the lines of option 2. That is there in his own writing.

I don't know whether the Secretary backed option 2 intellectually or whether he was going through a bureaucratic exercise. The fact is

that in the period which followed, the things which were outlined in option 2 were done, not all of them, but most of them.

And the kind of attitude, the way, the manner in which the United States operated came into being and that that was also consistent with option 2.

Senator CLARK. That is a question to Mr. Morris, but a continuation of what you were saying. Secretary Schaufele testified before this committee—and I don't have the testimony in front of me unfortunately—more or less to the effect that NSSM 39 indeed was studied but that option 2 really wasn't necessarily selected, that they sort of picked and chose from a great variety of different options and that is what American policy really has been.

What is your view of that? Did the administration adopt option 2 in total largely? What is your view?

Mr. MORRIS. I happen to be an expert witness on this question because I was there.

Senator CLARK. Yes.

Mr. MORRIS. I helped draft that memorandum to which Don is referring, as staff people did for the then Assistant to the President Kissinger, to send on to Mr. Nixon. Yes, it is true that that was precisely the recommendation.

It was my recommendation to Mr. Kissinger. It was his, with certain more cynical reservations, which might have pushed the policy even further right. And it certainly was the decision of the President.

There was no equivocation. As I remember that particular memorandum, when it came back from the President, it had on it the notation in the margin, "excellent staff work," which sounds now a little bit like praising Custer's plan of attack.

It seems to me that one really has to distinguish two levels here. One is that there was a serious effort made inside the executive branch to look at the options that were available. I spent several hours with Mr. Kisisnger and, believe me, I counted those hours because they were rare—on African affairs.

I spent several hours talking with him. I am convinced that he understood what American policy was about, and I am convinced he made an intellectual judgment about what he thought would be the most constructive course for American policy.

What happened afterward, I think, was quite different than some of the intentions behind the policy. Let me interject something which one has to bear in mind. That is that there are all kinds of other factors here which are coming into play besides a pure intellectual judgment of what is in the national interest and what isn't.

I think part of his willingness to accept that option was certainly based upon a notion that the Department of State was in favor of another option. He was quite clear that he wanted to change present policy.

He was quite clear that he was not in favor of what was going on at present. I think that may have had as much influence on his decision as the precise substance of what he did do.

Let me relate one incident which will give you some illustration of the kind of problems that were involved here. The Department of State, which resisted, I would say, to extreme means all the way through the policy process, through an 8-month review, even the inclu-

sion of option 2 among a range of options available to the United States, came to the last review group meeting prior to the NSC with a brand new option after 9 months of deliberation, entitled option 3–A, which I don't think appears in the leaked draft.

Option 3–A was to adopt option 2 but to ask most of your African clients if it was OK in advance. That kind of performance at the review group tended to make Mr. Kissinger, who was already at that point rather cynical about the ability of his Department of State colleagues, even less prone to accept their expertise. I remember his rage and befuddlement after that meeting at that performance.

Another factor which was relevant was that NSC meetings at that stage were nearly a sole and solitary dialog between Mr. Nixon and Mr. Kissinger.

Almost alone at the table were they informed, assertive, knowledgeable, prepared, to deal with foreign policy issues. They were dealing with perhaps the weakest Cabinet since Ulysses S. Grant. If the Department of State failed in the end and if the policy failed, it was in large part because its leadership was so feeble.

All of those factors have to be considered. If you ask what remedies one would take, there are certain bureaucratic remedies that have to be taken. But the best assurance that this kind of mistake won't be made again, it seems to me, is to appoint the next Cabinet or the next senior foreign policy officials under either President from the very best people you can get. The quality was limited in this case to the President and to his assistant for national security.

Senator CLARK. I want to come back to that in just a couple of questions later. I would like to pry into that a little more carefully so we can hope to avoid that mistake.

GOAL OF NSSM 39 ADOPTION

First, Mr. Morris, what did the United States really hope to achieve? What did Mr. Kissinger and the President hope to achieve? What did we hope to achieve by closer community, let me say, with the Rhodesian Government or white Rhodesians?

What was the goal there? What was the hope there? What was the plan?

Mr. MORRIS. This was based, Senator, on both an historical judgment about southern Africa and about the black-white relationship, as well as a current political judgment.

The premise really was that, historically speaking, isolation had only produced a kind of laager mentality among the white regimes and that historically the eras of greatest progress inside the white societies, and indeed in the Portuguese territories, have been roughly corollary to periods of less pressure on the outside.

On the other hand, those periods of most severe repression of the black populations coincided with the periods of external stress, whether coming from Great Britain or from other societies outside.

There was also a judgment that the United States—and this is very much parallel to what we are talking about here, about the current mission—there was also a judgment that the United States might conceivably, if it was able to maintain contact on both sides of the line, be able to play precisely the kind of mediating role that it is now endeavoring to play.

I know it is not fashionable at this point to defend Tar Baby and Tar Baby in the event became a miserable failure in a number of ways, an umbrella for the pursuit of business as usual, as I said in my testimony.

But had Tar Baby succeeded 7 or 8 years ago in establishing some kind of American influence on both sides of the line, had Tar Baby succeeded in any way in moderating white pressures on the black majority in either one of those communities, whereas now you are faced with two frightened, isolated and very repressive regimes, I think you would be standing here today calling it probably one of the great accomplishments of the Nixon administration—one of the few.

It didn't succeed and there are a number of reasons for that. But what we are talking about here is a disagreement over strategy and over tactics. Those of us who were in favor of that kind of approach were just as committed to the idea of peaceful change in southern Africa and just as committed to the idea of eventual racial justice.

Senator CLARK. To talk about whether or not that option might have worked and strategically, or any other point of view, it seems to me the option almost certainly would have had to have a corollary community with the blacks. And it didn't have, did it?

Mr. MORRIS. Oh, yes. I think that as the option was intended at least, it certainly envisioned a much more open and comprehensive set of contacts on all sides. Sending black foreign service officers certainly to the American Embassy, trying to establish contacts, trying to bring South African military personnel to this country to see integrated facilities in the United States, trying to bring that society, which I think we should remember was extraordinarily isolated—it didn't have television, it was not any kind of open society even though it was modernized in many ways—and to try to bring that society as best we could in a diplomatic sense into the 20th century. That turns out to have been a kind of "pie in the sky" idea.

I think that it has been demonstrated that we can't, as a government, conduct that kind of policy any more than we can conduct an intervention in Southeast Asia. But as a concept, as a diplomatic concept, it was based on the premise that you could do something for constructive change.

Senator CLARK. So that you see option 2 as having recommended a community, not just for the white South Africans but with black southern Africans equally?

Mr. MORRIS. I think that is true. But option 2 was aimed at one primary target, which was the isolation and the bigotry and parochialism of the white governments. What we were trying to do for those white regimes is very much what this society tried to do in a number of ways with white bigotry in the American South, to try to further a process of education, an opening, an enlightment in general, in the hopes that both races could contribute then to racial progress.

I think we are seeing now that if you are going to have peaceful change in southern Africa you have to have the cooperation of the whites one way or the other.

RHODESIAN INFORMATION OFFICE LIAISON

Senator CLARK. It is my recollection, and I think from Tony Lake's book—I might be wrong about the source—that you were some-

what of a liaison or go-between with the Rhodesian Information Office. What sort of things were you able to do in that relationship that lend credence to what you talking about here?

Mr. MORRIS. The whole gamut with the Rhodesians had to do with the preservation of the American consulate in Salisbury. As you remember, that was a point of some pressure, or developed into a point of some pressure.

It was also the one lever that the U.S. Government had on the Rhodesians at the time. We had not yet, as you know, bought any chrome. We were upholding sanctions. We had one entreé and that was the preservation of our diplomatic establishment there.

My mission was purely and simply to open a line of contact with the Rhodesians and to hold open for Dr. Kissinger some kind of further option on the use of that consulate as a bargaining chip. It was nothing more sinister than that.

Senator CLARK. How do you view the results of that effort?

Mr. MORRIS. I don't think there was any result because it was foreshortened by a request from Her Majesty's government to withdraw.

But let me tell you an anecdote about that as well. At the NSC meeting on southern Africa the Secretary of State made a big point in telling the President that the African states had been pressuring him at the U.N. to get out of the consulate in Salisbury.

Within a week, Dr. Kissinger produced for the President the memorandums of conversation from the Secretary's talks in New York with African delegations, most of whom didn't even mention the consulate at all. And with most of the other the Secretary raised the issue himself. Again, it was an example of the credibility problem inside the U.S. Government.

We would not have withdrawn that consulate, I am convinced, unless the British had withdrawn accreditation as they did.

I think the Nixon administration probably would have held onto the consulate in some way and would have done so to preserve some kind of opening for some future negotiations.

Senator CLARK. You met with the Rhodesian Information Office and discussed what you have just indicated that you have discussed in regard to our consulate.

Did you ever meet with any black Rhodesians?

Mr. MORRIS. Yes. The number and the names escape me at this point, but I met with a number of people under the auspices of the Department of State at various luncheons. At various times I have also met with representatives of liberation groups who were in this country, who would come routinely through Washington.

Senator CLARK. Do you remember any of those?

Mr. MORRIS. No, I don't.

BREAKDOWN OF OPTION 2

Senator CLARK. Where did option 2 break down, in your judgment? I am going to give Mr. McHenry a chance to make any comments at some point here. Where did option 2 break down? Why didn't it achieve its objectives?

Mr. MORRIS. I think it was flawed to begin with in concept. I think if I were looking at this idea now I would be much more skeptical about

the whole presumption of whether the United States could, or indeed should, by its own history, by diplomacy or any other means, try to influence the internal affairs of another society.

Although I think that we can do a great deal by our own example, as I said earlier.

I think option 2 simply was never implemented in any relevant way. Option 2 was intended to be a purposeful action to further the moderation of societies. In the event, it simply became, as Don said, a rationalization for a number of actions by various bureaucratic and special or private interests pursuing very much business as usual.

My disagreement with him simply is that I think very much the same thing would have happened and, in fact, was happening under the prior policy.

Senator CLARK. You talk about that as a substantiation of what Mr. McHenry said in a part of your testimony, which I thought was well written.

What about these various matters as you see them, Mr. McHenry? Do you tend to agree pretty much with the interpretation by Mr. Morris?

If not, why not? And in what areas?

Mr. MCHENRY. I certainly agree with him that option 2 was flawed from the start. It had absolutely no chance of working. There were those of us who argued that it was simply going to be a means for rationalizing the "business as usual" approach.

Whatever Roger's motives may have been, I don't believe that those were the motives of the people who wanted to sell 707 aircraft. I don't believe those were the motives of Cessna, which wanted to make its light aircraft sales or any of these other special interests which ended up taking place.

I don't think it would have worked even had there been any effort to carry it out. I think that it was not simply that the State Department or the bureaucracy opposed it. It just had no way of working, first, because it was flawed at the start and, second, because it did not recognize the situation on the ground in southern Rhodesia, in the Portuguese territories and in South Africa.

There was a questioning of the black resolve. Well, I don't question it at all. There was an assumption that the whites were there to stay.

Anyone who has even looked at the history of Africa since 1945 might raise a question about that. I am not suggesting by that response that I favor white flight from southern Africa. I hope they stay there, and I believe they have a role to play.

But the assumption that whites are there to stay is something which I would question.

There was a feeling that it ought to be to facilitate communications. Well, it facilitated the communications largely in one direction. The white rulers of southern Africa got the feeling that there was a new place to talk. They could come to Washington, sneak into the Pentagon and sneak into the White House and carry on their conversations and communications and get what they thought was a sympathetic ear.

It was done in such a way that the State Department frequently had no knowledge of the conversations which were being conducted. It had absolutely no knowledge of what was going on.

I think it is a poor way to run foreign policy. I don't believe our foreign policy should be run in such a way that there are several different focuses, that the White House does one thing and keeps it private from the State Department and the State Department is doing something else and keeps it private from somewhere else.

The one thing which I think is absolutely necessary, and the new administration is going to have to take this into account no matter what party is in power, is that the issues in southern Africa are extremely complex and they require coordination.

You cannot have a situation where our military attachés are saying, "Well, don't really believe what the State Department is saying. When the crunch comes we are going to be on your side because there are strategic questions involved here."

Senator CLARK. Do you think that may be what they are saying?

Mr. MCHENRY. I have no doubt that that has happened in the past.

Mr. MORRIS. I wanted to add, Senator, that at the National Security Council meeting there were an awful lot of silly comments made. But I don't think I ever heard either Mr. Kissinger or Secretary Rogers or Secretary Laird or, as the President introduced him, Admiral Moorer, who was the new Chief of the Joint Chiefs of Staff, and certainly not President Nixon ever say anything but that this was an anguishing problem which seemed destined to end in tragedy.

There was a lengthy discussion about one-man, one-vote in American history and about slavery in American society, and all the rest.

If there was one sort of theme which ran through senior policy discussions it was that this was an extraordinarily complex and basically insoluble problem, and that the choice confronting the United States was what little you could do about it on the margins or how you could cut your losses or how you could stay on the fence, as politicians instinctively do in a situation like this.

So that I do think there were in that sense a lot of wrong judgments, but naivete was not one of them.

Let me add to what Don said, that for all its mistakes in analysis, Tar Baby was not necessarily proven wrong by the events of the last year.

I would remind my colleagues that the events in the Portuguese Territories had their origin, not in the final triumph of liberation groups, but indeed in the events in Lisbon. And those events, influencing as they did a major way a voluntary accession of power in territories, were things that weren't really analyzed in NSSM 39.

Mr. MCHENRY. I would remind you that the event which took place in Lisbon was directly connected to what went on in Africa.

Mr. MORRIS. That is certainly true. But what I am saying is that the analysis that should have been there, of events in metropolitan Portugal in NSSM 39, was missing. And it was in the end not what happened in southern Africa but what happened in Europe which determined this unraveling.

As far as the judgment is concerned that the whites are here to stay, I don't know what this hearing is about or what Secretary Kissinger's diplomacy is about if it isn't that they are here to stay.

If that problem wasn't there, we wouldn't really have a foreign policy crisis on our hands.

AVOIDING PROBLEMS IN THE FUTURE

Senator CLARK. I am going to turn now to the question of how we avoid this now or in the future; in other words, what steps need to be taken to avoid a duplication of the problems surrounding the NSSM 39 policy recommendations.

Is there any way of avoiding this kind of bureaucratic problem? Before we do that, because I have kept you all here 3½ hours, and I want to keep you here another 40 or 50 minutes because I have three or four more questions for Mr. McHenry and Mr. Morris, and five or six of the other two witnesses.

I am going to suggest that we take a 5-minute break and then we will come back and try to finish.

Thank you.

[A recess was taken.]

Senator CLARK. The hearing will come to order.

We might start with Mr. McHenry, then go to Mr. Morris.

By the way, I have separate questions but if the other two of you feel a burning urge at any point to comment, just raise your hand and I will be happy to have your comments as well.

I was just asking really how do we avoid this? We have the suggestion, for example, by Mr. Morris, that first and foremost we ought to have a good Cabinet, intelligent people, people who have some judgment on these matters, and he made some other suggestions.

In a very practical and direct way the best you can formulate it, Mr. McHenry, what do you think we ought to do to avoid the bureaucratic problems in particular and the other problems associated with our African policy? That is pretty broad, I know.

Mr. MCHENRY. I, of course, would second the point on the Cabinet. We have to have people in leadership who have the stature and the knowledge of Washington and the bureaucracy so that they can hold their own.

It seems to me that the second thing that you have to have is an opportunity for those who hold positions of responsibility to really give problems, as complicated as the southern African question, the time which they deserve.

I was not present at the meeting of the National Security Council, but from what I heard of that meeting it was not a very competent discussion of the issues of southern Africa.

One book, John Mark's book, "The CIA and the Cult of Intelligence," has the Vice President going on and on and on, talking about a country and is finally reminded by the President that he is talking about the wrong country.

I know for a fact that my own principal, the Secretary of State, was not aware that when you agreed to make a sale of dual purpose items to Portugal that we were really talking about selling Portugal Boeing 707 aircraft to transport troops to Africa.

Well, it was in his papers. It was the issue. It was the principal issue. But the discussion didn't zero in on what that language meant.

It seems to me, Mr. Chairman, also, that a new administration, whoever it is, ought to take a little more time to find out what is going on before they assume that everything is bad, before they assume that the people who preceded them were doing the wrong thing.

I think that was the assumption in 1969. There was an assumption that everything was in chaos when in fact timely decisions had been made. Everybody didn't like them. Parts of the bureaucracy still wanted to fight and saw the review as an opportunity to resurrect their views. But there was a consistent policy.

Frankly, I hope that we never again develop the kind of national security infrastructure which we had in the last administration.

Senator CLARK. In what sense?

Mr. MCHENRY. I think, in the first place, it put too much power in the hands of the Special Assistant to the President for National Security Affairs.

It put too much power also in the hands of his staff. And I think the kind of interagency review procedure which was established developed a situation where the Pentagon was expressing its views about developments in South Africa with almost as much expertise as those people in the State Department who had spent years in South Africa or in the State Department studying the subject.

You have the outrageous situation where, on the NSC review group, all kinds of agencies expressed views on what ought to be done and what likely developments were going to take place in southern Africa. For example, the Office of Emergency Preparedness expressed its views. In the NSC structure under Nixon each agency with a particular proposal to advance, a plane to sell, a contact to be made, each of them expressed a view on what was in the interest of the United States over all foreign policy. It doesn't make sense.

NSC STRUCTURE CHANGE

Senator CLARK. Let me ask Mr. Morris in that regard. What do you see? Do you think the structure ought to be changed? Do you think it is established in such a way that the specialists and people who do really have something to contribute have an admirable contribution?

How might we change the National Security Council arrangement, if at all?

What other suggestions would you have for this?

Mr. MORRIS. Mr. Chairman, first of all, the structure doesn't really exist now. It is really inside Henry Kissinger's head. But the structure was always much less important than the people.

Theoretically, that system was designed by Mort Halperin to allow dissenting views on Vietnam. Henry Kissinger bought it at the Hotel Pierre because we saw it as an opportunity to control the bureaucracy, which was an abiding interest of his academically.

He could not have done that quite so easily had he not been facing such mediocrity in the rest of the Government. It was a pushover. The structure was much less important than the people. I can imagine different people occupying those positions, channeling those papers through, having discussions at the NSC and having an entirely different quality of policy.

I would make four suggestions briefly, which I think go to the heart of the problem and they go beyond the question of precisely what kind of structure you have and who comes to the meetings.

The first is that you have to find a way somehow to get past this monster inside the U.S. Government called bureaucratic advocacy and

parochialism. You have to find a way in which the Department of State is not obsessed with its clients in Africa and the Department of Commerce can only see what Union Carbide wants. You have to be able to open up those doors so as to represent something more akin to the national interests than personal interests of their own.

Secondly, you have to open up the Foreign Service to people who are more sensitive and more tied to our own society.

Senator CLARK. Who are what?

Mr. MORRIS. Who are more sensitive and who are more tied to our own society, more in touch with our own ideals as a country. We have now an extraordinary insular breed of people who spend most of their adult lives abroad and are expected to come back and make policy judgments representing the American people, whose ideas and principles they in many cases have lost touch with. It depends upon the reform of the Foreign Service in opening it up.

Third, we have to give the Congress, as part of that process—also the press, obviously—their rightful constitutional role in foreign policy.

If Tar Baby had been given the kind of constant scrutiny from 1970–71 on which you are now giving Secretary Kissinger's mission to Africa, it might have had a teeny weeny chance of success. If it had had that kind of monitoring and that kind of serious discussion and debate.

Finally, and I think this is most important, regardless of the insular quality of the bureaucracy, regardless of the Foreign Service, regardless of the Congress and the press, none of this is going to work unless you have a President who is willing to understand these problems and to commit himself publicly and honestly and openly. And that is the reform that we can take right now.

You can go to your candidate and Senator Percy and Senator Pearson can go to their candidate before the next foreign policy debate on television and ask them to come out clearly and on the record as to what their policy would be toward southern Africa.

If Richard Nixon had had to do that and confront that problem in 1968, instead of avoiding it like all the others, there might have been a different outcome. I think that is true of every Presidential race and there is no substitute for the ultimate integrity and public commitment of the President of the United States.

Senator CLARK. Thank you.

OBJECTIVES, POLICY EVOLVED FROM NSSM 39

What were the objectives and policy that evolved from NSSM 39, Mr. Morris? How closely did subsequent actions follow from NSSM 39 and who was responsible for reviewing these subsequent actions to see whether or not they were in line with policy?

Mr. MORRIS. I was not in the Government then, as I indicated. But my impression is, from talking to a number of people and in writing a book about this, that what happened to African policy after NSSM 39 was largely what had happened to African policy before NSSM 39. That is, it quickly left the purview of both Mr. Kissinger and Mr. Nixon and it slid back into all the old familiar grooves in which the bureaucratic interests came forward from time to time on an ad hoc

basis with their proposals and the proposals were very largely adopted without any kind of comprehensive review or any single body or person saying, "Look, this is inconsistent with the overall purpose and commitment, this policy," or it flies in the face of whatever the intention of the drafters may have been, and so forth.

My impression is that southern African policy slid into the usual anarchy which was characteristic of all American/African policy, and that there is no single body which is responsible for that. You have to finger the senior officials of the U.S. Government who let it happen. That is Kissinger, Nixon, Rogers, and Laird, and later on, certainly, their successors.

NSSM 39, KISSINGER TRIP, AFRICAN POLICY OUTGROWTH

Senator CLARK. Mr. McHenry, you talked some about this in your testimony, but to what extent do you feel Mr. Kissinger's efforts are a direct outgrowth of the policy which evolved from NSSM 39? What relationship do you put from NSSM 39 and this trip to Africa and this African policy?

Mr. MCHENRY. I am not sure that I can draw a direct tie between the present trip and NSSM 39. I would say this. Earlier, it did seem to me there was an opportunity for the United States, if not by its own direct action, then by the attitude which it took, to influence the situation in southern Africa.

I think we gave the Portuguese, for example, a needed reason for holding on for a longer time when more blunt talks with the Portuguese, the failure to make some of the concessions which were made, might have led them earlier to make some of the changes which ultimately took place.

Certainly our interests with regard to Portugal would have been served, our interests with regard to NATO would have been served by Portugal's having adopted a more sensible policy in Africa at an earlier stage.

I think that the connection between now, what is going on now and NSSM 39 is that we are totally unable now to go into the current negotiations with a great deal of credibility.

Our credibility is gone. Our position is gone. We have none. As a result of NSSM 39, we cut off contacts with the liberation groups in the Portuguese territories and, when independence came, we had very little in the way of contacts and very little in the way of credibility.

We now have very little in the way of credibility with the new groups. We can't suddenly persuade them that we are interested in racial justice when our interest all along has been in our so-called global interests or has been in our strategic interest or has been in getting chrome or other financial advantages in southern Africa.

Who is going to believe it? Who is not going to believe that the Secretary of State in the final analysis is not trying to find some other way to further the interest which he has all along been following? I am not saying that he is.

Senator CLARK. I understand that.

Mr. MCHENRY. I am saying he has a great credibility problem and we have a great credibility problem and it flows from our past actions.

Senator CLARK. I think it is very well put.

Let me ask Mr. Munger and Professor Marcum three or four questions I particularly wanted to address to you. It is really very closely related to what we are talking about here, very closely related, as a matter of fact, to what Mr. McHenry was just talking about.

Mr. Munger, how does one really exert influence on the situation in South Africa? What specific tools do we really have available, given our past record, and so forth? How can they best be used? Do we have any role to play in terms of South Africa itself? And if so, what? In what ways might we play a positive role?

Mr. MUNGER. Let me go back to the excellent point Roger Morris made, and that is the almost denegration of State Department officials and other Government officials, primarily State Department, who serve in South Africa. We have a really difficult problem there. If someone does a good job in South Africa, it is bad for his career. It has been bad for his career in the past. Even if somebody speaks Afrikaans. Intellectually there is no basis for that. We don't accuse people who speak Chinese of being pro-Maoist in a particular way, although it was true in the McCarthy attacks on the old China policy. There has to be some way in which people who really study South Africa well can be acknowledged and can get promoted.

Learning Afrikaans is not a bad thing. As a matter of fact, when I think of the four or five best, in my humble judgment, foreign service officers we have had in South Africa, I would say at least three were in those roles where they were actually members of the CIA. Apparently, they were not penalized because they had such knowledge. I would go so far, even though it is not generally considered true, but I would go so far as to say that they were not only knowledgeable, but sensitive. I can think of them particularly as being sensitive and as having closer contact with Africans.

But there is a problem. I have just been up and down the West Coast of Africa, and the feeling among foreign service officers I talked to—I came up from a conference in Swaziland—"you have been in South Africa." "Yes." There was a fear they would be sent to South Africa. This should not be. Serving there should be regarded as a very important and invigorating job on the African continent.

I think it is very important that this attitude be changed. What can we do in South Africa? We can, first of all, as I have suggested, make it clear to Africans that we support them. We could build a technical high school in one or another of the homelands and even give scholarships. We can do much more in that regard.

In the case of Namibia, to go back to what Don says, I am not saying we should do it now, but it is important in the case of Namibia and South Africa that we make our views clear to that small hard-core group of whites on the extreme right who will say sarcastically, "All you Americans want us to do is to cut our throats and walk in the ocean and then complain that it is red." There is not much credibility that the United States really has any concern except for their own destruction. But our concern is not in their destruction. It is in opening up opportunities and giving justice to the African people. This has not been clear.

Senator CLARK. Professor Marcum, what should we try to do, if anything, and why now?

Mr. MARCUM. Let me preface my comment by repeating what I said in my paper. I am not sanguine that anything we do can necessarily provide a happy answer for South Africa. We cannot in the final analysis save any people if they are not prepared to make the kinds of concessions that render a peaceful settlement possible. We must always bear that in mind. We cannot assume the responsibility for others, nor should we engage in actions which overcommit us, or commit us in ways which might prove damaging to our society, and to the world.

With that said, certainly clarity, clarity of will and purpose is extremely important. I would subscribe totally to the notion that such clarity can be articulated at no more important place in our country than at the level of the presidency. The failure of the President, for example, to speak out on the chrome issue, on the Byrd amendment, does a great deal to undermine the authority of the Secretary of State as he talks with the front-line Presidents in Dar es Salaam and elsewhere. It is very important that we have a clear policy, totally understood and consistently applied and carried out. Thus, the notion that I mentioned earlier, of a watchdog committee to get at some of the problems that have been mentioned here by Messrs. Morris and McHenry.

Going beyond that, I would stress the notion of our setting an example, trying to be persuasive in our foreign policy not just by preaching to others, but by carrying out, acting upon principles that we enunciate. This cannot be overemphasized as being important for a country like ours, not just with regard to southern Africa, but in general. We should not be simply reacting to others, preventing "radicals" from coming to power, preventing Soviet-Cuban involvement, and so forth.

That is a very negative way of designing a policy. The desired results may be better obtained by creative action.

We are involved, we have in fact intervened, if you will, in South Africa in a massive way. Our capital, our technology, our educational relationships, all of these have been interposed into a situation and have reinforced a particular status quo.

If we applied in our relationships the basic principles that we have applied in our own society regarding social inequities, not dictating to other people but acting in terms of our own involvement, we might then come up with guidelines which would give some creative direction to that involvement concerning the investments that are there now, the treatment of African workers, a whole range of things could be done.

Not much will be done if one simply asks the business community to do it, given their own competitive interests. It will only be done if pressure is brought to bear. For example—and I only give this as an example because it may be that in working out the details, one would say that another route would be better—one possibility would be to call in the heads of the corporations who employ 90 percent of the black workers who work for American firms and mandate them to come up with concerted policies that would address these issues and to do so at the recommendation or the insistance of the Chief Executive. This would say we mean business—not just "maybe you would like to do it," but "it is expected of you." This may be a proper way to begin.

Senator CLARK. To your knowledge, nothing like that has ever been done?

Mr. MARCUM. I believe not. My understanding of the general scenario is that the pressures are brought to bear largely by particular interests, by private interests, hoping for a competitive advantage.

They seek that. They want the protection of the U.S. Government. And what happens is that the political issue is bandied back and forth. Business says, "We haven't got any guidelines," and the Government says, "Business should know better. They will eventually get in trouble."

Again we need clarity of purpose, and reasons for policy clearly stated. That has to start at the top and it can be carried out at lower levels.

Then, second, there is our continuing—in total contradiction with the principle of even-handedness—input of loans, of investments. Some American capital goes into industries which are defense-related; i.e., in energy. The SASOL II project could be so interpreted.

These are of enormous advantage to the status quo. Unless it is suggested that we intend to look at this economic support for apartheid, it is very reasonable, I think, for the Prime Minister of South Africa to simply dismiss the Secretary's comments to a black audience in Philadelphia or to an African audience in Lusaka and say, "I have got to take that sort of public flack."

But we must understand that what really counts is the continued inpouring of American capital, of American skills, and the preferred relationship between the white community there and our society. That goes on.

We must make it very clear, not necessarily from a public podium but in diplomatic discussions that we are not going to go on supporting the status quo in a way that totally contradicts our verbal commitment to change.

Ultimately, we have to live with the consequences of our actions and inactions, not just our words. As we look at this matter 2 or 3 or 4 years from now, we will ask ourselves did we use what leverage we had? Did we act in a way which we could be proud of? Was there integrity in our positions?

Whether or not South Africa responds correctly in our view, whether or not those who come to power are those that we like, we have to live with ourselves.

I am concerned that we are not addressing the issue of our responsibility with sufficient candor and honesty.

FUTURE HEARINGS PROCEDURE

Senator CLARK. That is an excellent statement. Let me say that, starting with our hearings tomorrow before this subcommittee and for the remaining hearings this month we are going to be calling on a number of companies for a particular purpose—Mobil Oil tomorrow, Union Carbide, and General Electric, General Motors, IBM, Citi Bank, Kennecott—and we are going to try to make some effort to determine exactly what their considerations are, positive or negative or both, in South Africa, to try to get a better picture of it.

We are also just finalizing a questionnaire which will go into much more detail and which this committee will send to each of the 300 companies that are doing business in South Africa to try to get statistical and other kinds of information to come to some determinations.

Leading up to my next question which I will ask Mr. Marcum and Mr. Munger, and others may want to comment—there is a great debate going on officially, I found, even in talking with people from South Africa, about whether American investments really have helped or hindered the apartheid system, whether we ought to continue tax credits or whether we ought not to.

I must say that I haven't made up my mind yet on that. That was one of the principal reasons that I wanted to hold these hearings and ask people to come in to try to get a somewhat better view of what those companies are really doing.

U.S. INVESTMENTS AFFECT ON APARTHEID SYSTEM

My question is, what is your view, based on your information and understanding? Do you think American investments have helped or hindered the apartheid system in South Africa?

Mr. MARCUM. The apartheid system is built upon the notion of separate wealth. And the wealth that has been built or accumulated has been divided very unequally between the two basic populations, black and white.

Putting wealth and capital into a shelved structure like South Africa's will inevitably exaggerate or build up inequalities, unless one takes compensatory action to make sure that it does not.

If one could start from scratch, which one cannot, one might very well argue that there ought to be no American investment there. But we have gone in. The plants are there. The transfer of skills has taken place.

So one has to deal with reality, do what one can to convert into a force for change what has helped build apartheid or given the South African government the wherewithal, the resistance, the ability to ignore African demands and to ignore international pressures.

We might be able to alter the consequences of our involvement. Any new investment, any new loans, any new technological inputs, any new scientific evaluations ought to be answerable to the prior question: "How do they impact upon the apartheid system?"

One has to work out some kind of guidelines. We should make sure that what happens from this point on does not further reinforce a system of structured inequalities.

This would require considerable administrative labor and it would require, more importantly, a great deal of political will. But it could be done. We ought not to just go on with business as usual.

Private interests forces in on competitive advantage, get the best deal they can, bring in the fastest profits they can. And if they can get their profit quickly, to tell with the consequences of what the local impact has been and what this means to our relationship to the South African problem. They do not face the public interest question about living with ourselves in the future.

Senator CLARK. Mr. Munger. I am going to ask also Don McHenry, who has done a lot of work in this area, if he has any comments.

Mr. MUNGER. I think American companies in the past have shown great insensitivity and they have not begun to do what they could do in South Africa. Of the 300 companies, only perhaps a third really have begun to move and do anything. I think a lot more can be done.

I was recently asked by a company contemplating a very large investment which would take 13 years to pay out what my view was concerning their interaction and with what I called the hollow shell of apartheid.

I believe in this particular case I recommended to them what they should go to the South African Government and say, "We are going to develop a mine in a rural area where there was less interaction with existing systems.

We are prepared to invest and to extract on the basis that there will be no segregation whatsoever within this plant or within the housing associated with it or built for the people who work for the company."

I believe the South African Government would accept it. This would have been an excellent model. It would have provided jobs without having to pay the price of any discrimination. In other words, I do not think the possibilities have thoroughly been exploited that an American company with that kind of leverage could exert.

Behind your question explicitly was the question of whether or not we should stay there. It was about 5 years ago I had the pleasure, on behalf of the State Department, to chair a small group with two black American colleagues, Harriet Murphy, a lawyer from Texas and Chester Marcus, a black clergyman from New York.

We went around South Africa and talked to a very large number of black people—sometimes we talked alone; sometimes we all talked together—as to whether the United States should withdraw. This last few months I have gone back to talk with a number of the same people and the answer was the same: "You could do a lot more, but don't withdraw."

That does not mean that we shouldn't make a lot of changes. I think that the sky is open within this hollow shell of apartheid and that basically American business could do all kinds of things which they aren't beginning to do.

Senator CLARK. Mr. McHenry, I think you have done a study of investment in South Africa. Have you not, or am I wrong about that?

Mr. MCHENRY. Yes; I have done a study.

Senator CLARK. What is your view of that? Has it contributed to apartheid or hindered it? What is your view?

Mr. MCHENRY. In this study which I made and which is available, Mr. Chairman, at the University of Indiana, I had a pretty firm position that we have to recognize existing realities. Those companies which are there are there and it is very difficult to get them out.

I don't see a situation where those who call for disengagement are going to have very much of a practical effect, except insofar as their pressures to disengage will force the companies to make improvements while they are there.

I think a great deal more could be done by American companies in South Africa. I don't think they have come anywhere near reaching what I call the four walls of apartheid. I have no idea what would happen once they exhaust the flexibility which is present in the law.

One of the great things about South African law is its flexibility. They deliberately keep it very vague. My feeling, however, is that it is not nearly as flexible as some of us would like to believe.

There is a great deal more that can be done, the Prime Minister says, if the cooperation of the white unions is received. Well, he knows that that cooperation in many instances is not going to be received. So it means that there are very real limitations.

In my own view, there should be no new investment in South Africa, nor significant expansion of current American investment there. I say that because those four walls are there and no matter what one does to liberalize his own operations within the confines of his own plant, he still finds himself faced with the restrictions of apartheid.

His workers still don't have freedom of movement. He still can't freely assign workers to jobs. He still does not have them trained educationally as they ought to be. He still has a tremendous number of restrictions with which he must deal.

Therefore, I come to the very serious conclusion that we shouldn't have any new American investment, nor, as I say, significant expansion of current investment in South Africa.

Mr. MORRIS. Just let me say, Mr. Chairman, that among the intellectual origins of Tar Baby was an article which appeared in "The Economist" in, it seems to me, the spring of 1968, which was an extremely provocative neo-Marxist analysis of the development of the economy and addressed just this question: Does economic development open or continue to close the society?

I must say that then I subscribed to the more hopeful view that in fact if you did develop the economy, that you did begin to poke holes in apartheid. I am not convinced that the evidence will ever be conclusive one way or the other.

It seems to me now, like the Transkei, one of these irrelevant questions. I am afraid even if you hold your hearings tomorrow that you are overtaken by events because I think the policy question for American corporations in South Africa is going to be how to deal with terrorism directed at American interests, rather than their hiring policies or whether they have segregated restrooms, because we are rapidly reaching a phase in which we no longer have the option of economic evolution.

Senator CLARK. That is an interesting comment. Let me ask you one last question. I will start with you, Mr. Morris, and go down the table, if you can summarize it in just a minute or so.

U.S. INTERESTS IN SOUTHERN AFRICA

What are the U.S. interests in southern Africa? To put it in the bluntest sense, Why do we have any business there at all? I have had several of my constituents—last weekend, as a matter of fact—ask me "Why are you interested in southern Africa? Why should you have any interest in that?"

My question to you is, Why should we be involved? What are your interests? Are they humanitarian, economic, strategic? Are they none of these things?

Mr. MORRIS. I don't think we have any interest of a conventional variety, economic, strategic, even a political interest which warrants anything more than a very distant and, it seems to me, very clear stand of principle about how we think man ought to be ruled on this planet.

I think we have a humanitarian and an idealistic interest in seeing that people attain racial and economic and social justice because, presumably, that kind of world will be an easier world for us to live in and to deal with, a more secure world.

Beyond that sort of vague interest of principle and recognizing that they must make that choice, that we cannot make it for them in any way, I don't think we have any business in southern Africa at this point.

If only we had demonstrated to ourselves and to the world a greater capacity to deal with international affairs, a greater capacity to organize our own society, a greater capacity to cope with our own government, then we might have a reasonable chance. I think our failure has been so demonstrable over the last 15 or 20 years that we have an absolutely full task in just cleaning up our own house.

I think in the end what the Secretary of State or the next President may well have to do is to content themselves with a clear statement of principle of what the United States would like to see happen in that part of the world and the standards of economic and racial justice that we uphold as a society, and let it go at that.

In the end, as in Vietnam and as in China and a lot of other places in the world, southern Africa will go its own way as if we had never been there.

Senator CLARK. Thank you.

Mr. MCHENRY. Mr. Chairman, the last time I appeared before this committee, I addressed that question at length. What I suggested then was that we tend to approach the development of policy as far as our interests are concerned in the wrong way. The tendency is for us to list all of the American investments that are there and when we say we've got $1.4 billion of investment there and we list a tracking station and we list a port where, our ships can call, and so forth, it becomes a rather imposing list if you simply look at the list.

But consider it in the overall scheme of things. It is not really very important. Our so-called economic interest in southern Africa really is quite minor. The General Motors plant in Port Elizabeth, the last time I looked, was turning out in a year what General Motors produces in the United States in 1 day. It is all peanuts for General Motors.

I would suggest that we have a general interest in peace. I do not believe that even in the modern world any of us are very safe as long as there is a great deal of turmoil, no matter how distant it is, particularly if there are outside interests involved.

We want peaceful change. It seems to me that we have a general humanitarian interest. We have written and agreed in numerous documents, from the documents of World War II, to articles 55 and 56 of the United Nations Charter, about our general views on human rights, and so forth. Whether we want to or not, we are a part of the world and we are going to have to face taking a position on the question of southern Africa almost every day. We face it in the United Nations. We face it every time we have to decide whether to sell an arm or guarantee a commodity. All of the issues of modern day international relations raise the questions involving southern Africa.

Therefore, I am not one of those who says we have no interest there. We have interests there. But I know of no hard interest which is so overriding that we should forget the values and the principles in-

volved in southern Africa. I think there are times when we tend to forget that.

I lectured at a class of predominantly military officers at the Foreign Service Institute, and I made the mistake in their eyes of saying that we had no overriding, no strategic interest in southern Africa. That was one of the few things that I think NSSM 39 was right on, we have no strategic interest there. We didn't have any in 1970, I don't believe we have any now. We should resist the tendency, which I think is going to be increasing, for people to argue that we ought to side with South Africa or take various positions because of the Cape Route or because of NATO.

I repeat, we do have an interest in peace. We do have an interest in seeing that basically human rights and principles are observed. But I don't believe that that requires necessarily our involvement.

As a matter of fact, if you look at some of the problems that we have had in southern Africa, in many instances, our interests would have been better served by not being involved, by not doing some of the things that we did, by not selling aircraft, and by not helping out on economic things, by not receiving Gen. Joe Blow in the White House. Simply by taking a negative position, we might have helped our posture in southern Africa.

STRATEGIC INTEREST ARGUMENT

Senator CLARK. I wasn't going to interrupt but let me ask you another question about this matter of strategic interests.

I heard a journalist in Africa, a South African, making the argument that, in fact, there is a significantly strategic interest in South Africa, particularly in southern Africa generally. It was his argument that if, indeed, we find ourselves on what he would view as the wrong side of the South African issue; i.e., identified with the apartheid system and if indeed the only alternative that the blacks have in South Africa to the apartheid system is to turn to the Soviet Union in an effort to help overthrow that system, probably at some future point the government that would eventually come to power there under majority-rule government would be antagonized by our previous positions and sympathetic to those who helped them that indeed it would become a strategic problem for us in terms of the cape routes, and so forth.

It was for those reasons that he argued that we ought to take a very forthright position in South Africa and identify ourselves with what he considered the more progressive limits in that society.

What is your view of that?

Mr. MCHENRY. I think I agree with his conclusions, but not necessarily with the manner in which he would reach them. It is undoubtedly true, as we have discovered in Angola and Mozambique, that if we have a reputation as having opposed the just struggle they are not inclined to be very friendly to us once they achieve power.

It does not necessarily follow, however, having finally fought and gotten their freedom, that they are going to suddenly become a stooge of anyone else. I do not believe that our failure to be on the right side, so to speak, in southern Africa automatically means that Soviet or other influence is going to be predominant.

I think the new African Government is not going to be anymore inclined to give up its newfound freedom to the Soviet Union than they were inclined to remain hostage of white domination. They are going to consider their interests.

Senator CLARK. Thank you very much. Let us continue with the answers.

U.S. INTEREST IN SOUTHERN AFRICA

What is our interest in southern Africa?

Mr. MUNGER. I don't think we have any interests which should ever cause us to betray those moral, humanitarian, and philosophical interests which really lie at the core of what the United States is all about.

There is nothing which is that important. I think as we have opposed colonialism, so we should oppose neocolonialism, because that in a sense flows out of our belief and desire that peoples should choose their own governments. I certainly feel that we have underestimated the capacity of Africans to resist neocolonialism.

I think that is a very strong thing. I would agree with what Don McHenry just said, I don't think Africans, if they felt they had support from the Soviet Union, would necessarily feel indebted. They don't want to be dominated by anybody.

But there are some things that do concern me. One is the question of nuclear nonproliferation. I think that is a very important one, and I think we have a concern with that because it is part and parcel of our concern for peace or the avoidance of war.

An interest which I think is going to be more and more important, which has been mentioned in the past, but I think 5 or 6 years ago when it first came up it was not as significant as it is now, and that is the question of key mineral resources, not only the minerals which are known to be in southern Africa, for example, chrome, platinum, and so on, but also minerals which are very likely to be discovered there.

This is going to take on, I think, an increasing importance to the United States, as our own country, which is such a small part of the world population, consumes so very much more. But this doesn't necessarily indicate that we should support the South African Government.

It means we should have a concern for the area and think carefully whether we do or do not give our support. And certainly neither the nuclear question nor the question of minerals should sway us from, I think, our basic philosophical humanitarian concerns.

Senator CLARK. Thank you.

Professor MARCUM.

Mr. MARCUM. I do not have an enormous amount that I can add to all of this, most of which I agree with.

Obviously, some of us Americans have particular material interests in South Africa and others consider the strategic factor to be terribly important. There is a negative dimension to that.

There is a danger of entrapment which it is in our interest to avoid. I stress this negative. It would be folly to allow ourselves to be drawn into a crusade against radicals or the radicalization of Africa. We might find ourselves once again getting on a white horse and riding off into the horizon to save people from themselves. The danger is that,

given what private interests or strategic interests we have we might do precisely that and in the process render Southern Africa a cold war zone getting ourselves involved on the losing side.

We know which side we will end up on if we did get involved against radicals. Of overriding importance is the need to set forth our public interest in a positive sense.

The symbolic importance of South Africa can scarcely be overstated. It is of enormous importance nationally how we stand on it, how we act. And it is terribly important domestically. One should not ignore the fact that Secretary Kissinger's speech in Philadelphia was to a particular audience, a predominantly black audience.

There was a reason for that. One should not ignore the domestic implications and ramifications of how we stand on external racial issues. So in sum, in a fundamental way our interest in South Africa resides in the fact that it poses a kind of test of ourselves.

It poses a test of our capacity to act in a responsible and principled way toward a very complex problem as a great power should.

COMMENDATION OF WITNESSES

Senator CLARK. Thank you very much. I have made the point about the Secretary's use of the terms "moderate" and "radical" a couple of times. I think it is very much to the point.

I want to thank all of you for your generosity in taking the day to come here and the amount of time that you have spent here. We have been here over 4 hours.

Above all, I was very much impressed by the candor and honesty of each of you in approaching a very, very difficult topic. We thank you and we hope that you will come back often.

We stand in adjournment until tomorrow morning.

[Whereupon, at 1:50 p.m., the subcommittee recessed, to reconvene 9:30 a.m., Friday, September 17, 1976.]

SOUTH AFRICA

U.S. Policy and the Role of U.S. Corporations

FRIDAY, SEPTEMBER 17, 1976

UNITED STATES SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met at 9:35 a.m., pursuant to notice, in room 4221, Dirksen Senate Office Building, Hon. Dick Clark (chairman of the subcommittee) presiding.

Present: Senators Clark, Pearson, Percy, and Javits.

Also present: Terry Myers, Consultant.

Senator CLARK. The committee will come to order.

NEWS BRIEFS

I would like to continue the practice that I started yesterday in these hearings and read the International News Summary on Africa which is very brief, indeed, even though there is a great deal in the papers about Africa.

Kissinger is marching to Pretoria. Blacks and coloureds are still marching through Cape Town and other areas. Ten more black deaths were reported in yesterday's demonstrations. Success of the Kissinger meeting seems to hinge on the Vorster talks this weekend. Still not sure if Smith will join them. Kissinger also will talk with blacks. He met with Rhodesia's Joshua Nkomo already. There is a tenseness about the reporting from Africa noted in papers and on-the-spot-broadcast reports.

A breakthrough toward peace is seen in Namibia by delegates of the long-stymied constitutional conference. Kissinger is expected to meet with SWAPO President Sam Nujoma.

There are stories this morning in the New York Times and the Washington Post about the meeting between Secretary Kissinger and President Kenneth Kaunda of Zambia, talking about the necessity for a negotiated settlement and the impending warfare in southern Africa, if that does not occur.

OPENING STATEMENT

The purpose of these hearings on South Africa, as I mentioned in my opening remarks last week, is to offer the subcommittee an opportunity to review and explore the nature of the U.S. relationship—both commercial and political—with South Africa.

In the first two hearings, we discussed the current situation in South Africa and its implications for our policies and political interests there. Yesterday's hearings reviewed the roots of American

policy toward South Africa and the bearing past policy may have on Secretary of State Kissinger's current initiatives.

Today, we turn our attention to the commercial side of our relations with South Africa. This will be the first of four hearings which the subcommittee is holding on various aspects of U.S. business operations in South Africa. We will be discussing the tangible interests which the United States has in South Africa, the role those interests play there, and the degree to which they affect or are affected by the apartheid policies of the South African Government.

U.S. business is well represented in South Africa. More than 300 American companies, including most of the major corporations in the United States, have subsidiary operations in South Africa. We would like to know how responsible they are. An additional 6,000 do business there on an agency basis. Of course, I mean 6,000 U.S. businesses. As I pointed out earlier in the hearings, U.S. companies have done well in South Africa.

They have prospered and grown, often at a rate of close to 20 percent per year. Today they represent assets of nearly $1.6 billion, about 16 percent of total foreign investment in South Africa.

But operation in South Africa also presents companies with unique problems. Because of the racial situation there, many people in the United States—and elsewhere throughout the world as well—have questioned the wisdom and the morality of doing business in South Africa. They have been concerned that American companies may be taking advantage of repressive laws or customs in South Africa to make excessive profits by paying inadequate wages.

There have been campaigns, in fact, in this country, to urge companies to withdraw from South Africa or, at a minimum, to improve labor practices. In Congress, a number of proposals have been debated as a means of trying to influence companies to make an effort to be progressive in their labor practices.

And the State Department has seen fit to issue a special report specific to South Africa, pointing out what labor practices are possible in South Africa and what companies can do to improve their employment programs, although, according to testimony yesterday, no one in our Government has ever called companies into visit with them about those labor practices.

At the base of the concern is the system in South Africa, a system which discriminates against blacks, severely restricts their political rights, and makes it difficult, if not impossible, for them to have equal job opportunity. South Africa's policies of separate development prevent blacks from getting education and training which would qualify them for higher skilled jobs.

Labor laws such as the Industrial Conciliation Act, the Physical Planning Act, and the Apprenticeship Acts prohibit companies from employing blacks in certain jobs, from hiring more than a certain number of blacks or from training blacks for certain positions.

Customary patterns of discrimination prevent company managers from hiring blacks at higher levels or for certain skilled positions. Company directors often fail to recruit or select blacks for fear of a backlash opposition from white customers or workers.

Those who question U.S. investment in South Africa are disturbed by these obstacles to equal opportunity, but they are disturbed not only

about the wages and promotion of black workers, they are also concerned about the entire system in South Africa by which whites dominate blacks, deny them political rights or social equality, and they are concerned that U.S. investment serves to support this system by contributing to its economy.

On the other hand, corporations argue that their activities in South Africa are apolitical and can serve as a progressive force for evolutionary change.

Jobs in U.S. companies, they say, provide wages, opportunities for training and education, and fringe benefits which would otherwise be unavailable to Africans, and eventually, the companies maintain, by drawing blacks into the economy, South Africa will be forced to draw they into the society as well.

The purpose of the next 4 days of hearings is to examine these premises and the concerns put forth by both sides—the corporations and their critics—on a number of issues relating to U.S. business involvement in South Africa. Today we begin by discussing business policies relating to sales, marketing and location of operations in South Africa with Mobil Oil, Union Carbide and Rev. Larold Schulz. We welcome the witnesses and will begin our testimony with Mr. D. N. Wait, vice president of Union Carbide.

Let me say in summary, that a good part of the reason why I was particularly interested in holding these hearings was really to try to determine for myself, and I think other members of the subcommittee would feel to some degree the same way, what in fact the impact of American investment is in South Africa.

I can tell you that I come to these hearings with an open mind as to whether we ought to continue investment, encourage investment indeed on the one hand, or discourage investment, try to prevent it. Because I can see both sides of the argument that I have tried to pose in the opening statement. The real question, it seems to me is, one, are American investments in South Africa really helping to bring more security to an apartheid system? Is it giving strength to an apartheid system? Is it really in effect giving so much strength to a Government and system that it has the effect of repressing blacks or in fact are American investments there being used to bring better job opportunities and more importantly than that, is it doing anything to lay the groundwork for a change in the basic system of apartheid, that is the sharing of some political responsibility. I dont' know whether it is or isn't. We start today to try to examine that. But it seems to me that if indeed given $1.6 million investment there, if we are not doing that, and if there is no real meaningful hope for changing that system, then I would be, I think, favorable to the idea of not continuing tax credits to companies in South Africa.

I probably would be in quite a minority there. I don't know. I have no idea. But it seems to me we can't have it both ways. We cannot say that we are going to encourage investment because they are going to make changes, if indeed changes have not occurred, if indeed progress has not been made. At the same time, if we simply say, well, the system won't allow us to do it, OK. That may be the case.

If the system won't allow us to do it, we can't claim we are doing it. We either are doing it or we aren't doing it. We either could make improvements or we cannot. If we cannot or if we have not made

significant improvements, then I would come down on the side of arguing that we ought to do everything possible to discourage investment. I have an open mind regarding that question.

I have never taken a position on it. That is part of the reason why I am interested in hearing those of you who are testifying today and other witnesses whom we will have throughout the remainder of this month.

Senator Pearson?

OPENING REMARKS OF SENATOR PEARSON

Senator PEARSON. I don't think I have an opening statement, Mr. Chairman. I think you have accurately defined the purposes of these hearings. Our time is short. I am going to be interrupted, I fear, through the morning. I think we ought to proceed with the hearing of the witnesses.

Senator CLARK. Thank you very much. We are hearing first from Mr. D. N. Wait, vice president of Union Carbide. We have asked you to summarize your statement in about 10 minutes. Then we will have questions. Would you identify the other gentleman with you, please?

STATEMENT OF D. N. WAIT, CHAIRMAN OF THE BOARD AND PRESIDENT, UNION CARBIDE AFRICA AND MIDDLE EAST, INC.; ACCOMPANIED BY JEREMIAH J. KENNEY, JR., DIRECTOR OF FEDERAL GOVERNMENT RELATIONS, UNION CARBIDE

Mr. WAIT. Yes. Mr. Chairman, members of the committee, my name is Dwight Wait, and I am the chairman and president of Union Carbide Africa and Middle East, Inc., a wholly owned subsidiary of Union Carbide Corp. (UCC), which administers the corporation's operating subsidiaries in that area.

With me is Jeremiah Kenney, director of Federal Government Relations.

I am pleased to be here today in response to the committee's invitation to review briefly Union Carbide's business involvement in South Africa.

UNION CARBIDE'S INVOLVEMENT IN SOUTH AFRICA

Union Carbide's involvement in South Africa dates back to 1929, when a chrome ore mining subsidiary began operations in the Transvaal. As a major world supplier of ferroalloys, we were naturally led to the Republic—which contains some 75–80 percent of the known reserves of chrome ore in the Western World—by the burgeoning world demand for chrome. In the years since 1961, we have become involved in several other business activities in South Africa. Today our operations in South Africa are administered by the following companies:

Chrome Corp. (South Africa) (Proprietary) Ltd.; located in Steelport, Eastern Transvaal, this company ceased its chrome mining operations in February 1976, when it was unable to renew the lease of its mining rights. It is continuing to market chrome ore mined by Ucar Chrome Corp.

Ucar Chrome Corp.: This subsidiary mines chrome ore on property owned by another subsidiary, Jagdlust Chrome Co. The mine is located about 50 miles from Steelport in the Eastern Transvaal, in the Lebowa Homeland. Ucar currently has 133 employees.

Ruighoek Chrome Mines (Pty) Ltd.: This company formerly operated a chrome ore mine in the Western Transvaal. The mining lease and facilities were sold to Amcor Ltd. in 1974 when it became impossible to operate profitably while meeting Union Carbide's South African minimum wage guidelines.

Tubatse Ferrochrome (Proprietary) Ltd.: This company, formed in 1974, is owned 49 percent by UCC, and 51 percent by General Mining and Finance. It will operate a ferrochrome smelter now being constructed at Steelport which will convert Transvaal chrome ore supplied by General Mining into high-carbon ferrochrome. The plant is expected to come on stream early in 1977. When it reaches full production, it will employ 350 people, including approximately 300 residents of the adjacent Lebowa Homeland.

Ucar Minerals Corp.: This subsidiary operates a vanadium mine at Brits, some 30 miles west of Pretoria, and a vanadium processing plant at Bon Accord, just north of Pretoria. The company was formed in 1967, to purchase the mine and mill then owned by Federale Vanadium Co. A new processing plant being constructed at the Brits minesite will be fully operational in 1977. Ucar Minerals currently employs 388 people.

Elektrode Maatskappy Van Suid Afrika (Eiendoms) Beperk (EMSA); located at Meyerton, about 40 miles south of Johannesburg, this company, which is owned 50 percent by UCC and 50 percent by South African Manganese Limited, produces graphite electrodes for South Africa's electric furnace steel industry. It was originally incorporated in 1965 as a joint venture between South African and West German interests. Union Carbide acquired a 50-percent interest in 1971. EMSA currently employs 562 people.

Union Carbide South Africa (Proprietary) Ltd. (USCAL): This subsidiary was incorporated in 1961 for the purpose of marketing in southern Africa Union Carbide products from sources throughout the world. Sales offices are located in Johannesburg, Durban, and Cape Town, and warehouse stocks are maintained in those cities and also in Port Elizabeth and East London. The company also markets Glad plastic bags and wrap throughout South Africa. USCAL employs 72 people.

Multifoil (Proprietary) Ltd.; this company was acquired in 1974 from its founder, who retains a 25-percent interest. Multifoil extrudes low density polyethylene and polypropylene film and produces Glad plastic bags as well as a variety of specialty bags for local industry. The Glad bags are purchased by USCAL and marketed throughout South Africa. Multifoil has 40 employees.

As is clear from the foregoing summary, Union Carbide does not have any overall policy regarding location of its operations within South Africa. The mining locations result from the location of available ore bodies. Our electrode company and Multifoil were acquired as going concerns, with location playing no significant part in our decisions, and our trading company's warehouses basically reflect the

locations of their customers. The Steelport site was selected for Tubatse Ferrochrome because of the abundant chrome ore reserves in the area.

REASON FOR SOUTH AFRICAN OPERATION

As I have already indicated, our initial involvement, and our current chrome and vanadium mining operations, result from the fact that South Africa is where the ore is. As a major world supplier of ferrochrome and vanadium pentoxide for the steel industry, South African ore sources are essential to us. The existence of our ore processing operations in South Africa to upgrade the value of their exports, and also the high cost of shipping bulk materials like ore.

Our other manufacturing subsidiaries in South Africa, the graphite electrode company and the plastic film and bag producer, were of course not acquired because of any unique raw material availability. In these situations, as has been the case in all of Union Carbide's non-ore-connected investments around the world, the motivating factor was our desire to participate in attractive markets for Union Carbide products which could not be economically served by exporting from the United States.

When it has become impossible due to local competition to supply an attractive market by exporting, we have frequently elected to invest in foreign manufacturing facilities. Today, South Africa is one of some 30 countries around the world in which we have facilities producing various products of the corporation.

The existence of UCSAL, our trading subsidiary in South Africa, clearly bears out our interest in serving overseas markets with exports whenever possible. This company buys and resells Union Carbide products produced in the United States and also in some other countries, and also takes orders for direct shipment from the producing countries. The bulk of its business is in industrial and agricultural chemicals, but it also imports a wide range of other Union Carbide products, contributing significantly to export sales and earnings in the United States while filling market needs in South Africa.

EMPLOYMENT PRACTICES

Throughout its long history in South Africa, Union Carbide has worked to improve the quality of life of its black employees, their families, and the communities in which they live. Basic contributions in food, housing, education, and medical attention have greatly increased black living standards virtually from our earliest involvement. In recent years, greatly accelerated progress has been made.

Union Carbide's position on responsibility to its employees around the world is set forth in our "code of conduct", copies of which are available here this morning. Specifically in South Africa, Union Carbide's management is committeed to achieving the following principles in the conduct of its operations:

(1) Equal pay for equal work;

(2) Fair wage rates that provide employees the opportunity to improve their standard of living;

(3) Benefit programs applying equally to all employees;

(4) Equal opportunity for all employees for advancement determined solely by merit and ability;

(5) Opportunity for each employee to realize his or her maximum employment potential;

(6) An active role to be taken in local nonpolitical community affairs by management at each location, with particular emphasis on assisting communities in meeting health care, educational, cultural, and recreational needs.

Not all of these goals yet have been achieved, but we have made what I feel is very significant progress. Of special importance is increasing nonwhite wages and our efforts to upgrade blacks to more responsible and better-paying positions through formal and on-the-job training.

Currently, the lowest paid individual at any location, including an affiliated chrome mine, receive wages that are at least 125 percent of the minimum living level established by the Bureau of Market Research of the University of South Africa. Most are paid well in excess of this minimum.

In my written testimony, I have set forth a table which compares black wage rates in October of 1974 with those at the beginning of this year for all daily and weekly paid employees of Ucar Minerals and EMSA, our largest employers are in South Africa. The job categorization is per the National Electrical Manufacturers Association (NEMA) system, which is widely used in the United States to assure comparable data. The NEMA system replaced other evaluation systems which we found unsatisfactory. Using the NEMA system, jobs are placed in 18 categories; for display purposes we sometimes abbreviate the 18 categories to nine categories for clarity and consistency. Perhaps even more significant is the fact that we are reducing the gap between white and black wages for similar jobs. Since the first part of 1974, salaries in the top two grades in which whites are employed have increased by 58 percent and 22 percent respectively. In the top grade in which we have black employees, the increase in the top black grade amounted to 166 Rand per month, while for whites in the top two grades, it was R123 and R91 respectively. By the first part of 1977, it is our intention to have a single wage range applying equally to black and white workers.

I have included in my testimony, a table which shows the progress we have made in EMSA and Ucar minerals in upgrading blacks.

During this period, the salaried staff of black employees at these locations rose from zero to 17.

A new skill center is currently being utilized for training employees to become skilled artisans and operators at the Brits vanadium mine and mill. Other employees are being encouraged to increase their earning power through supplementary educational assistance.

A new program which we are currently setting up will provide funds for full university scholarships for needy black and white South Africans, who need not have any connection with Union Carbide to qualify. The scholarships will be awarded based on competitive examinations, with equal amounts of money allocated for black and white winners.

This in brief is Union Carbide in South Africa. We think that our operations there provide significant benefits both to the host country and to the United States. Our investment in South Africa benefits South Africa and its people by providing jobs and profits. At the same time, the exports pulled from the United States to South Africa as a

result of our presence there provide increased jobs and earnings at home.

Above and beyond these economic benefits which our South African operations provide, our presence there makes a significant contribution to the movement toward equal rights in South Africa. Through our efforts to achieve equality of opportunity for all employees in our South African operations, we are providing an example of progressive employment and good citizenship which can be helpful to all South Africans.

At the same time, we are convinced that changes in U.S. policy aimed at forcing U.S. companies out of South Africa—by direct legislation or indirectly, by excessive taxation, will not serve the national interest. If we were forced to abandon our investments in South Africa, our facilities would continue to be operated by our successors. Our successors are not as likely, at this time, to have the same commitment to equality and to improving the lot of blacks and colored employees, and those employees would be the big losers in such an event. Our employees in the United States who are producing goods exported to South Africa would also be losers by no longer having the existing avenues to export our products to South African markets.

That concludes my testimony.

[Mr. Wait's prepared statement follows:]

PREPARED STATEMENT OF DWIGHT N. WAIT

UNION CARBIDE'S INVOLVEMENT IN SOUTH AFRICA

Mr. Chairman, members of the Committee, my name is Dwight Wait and I am the Chairman and President of Union Carbide Africa and Middle East Inc., a wholly owned subsidiary of Union Carbide Corp. which administers the Corporation's operating subsidiaries in that area. I am pleased to be here today in response to the Committee's invitation to review briefly Union Carbide's business involvement in South Africa.

Union Carbide's involvement in South Africa dates back to 1929, when a chrome ore mining subsidiary began operations in the Transvaal. As a major world supplier of ferroalloys, we were naturally led to the Republic (which contains some 75 to 80 percent of the known reserves of chrome ore in the Western World), by the burgeoning world demand for chrome. In the years since 1961 we have become involved in several other business activities in South Africa. Today our operations in South Africa are administered by the following companies:

Chrome Corp. (South Africa) (Proprietary) Ltd

Located in Steelpoort, Eastern Transvaal, this company ceased its chrome mining operations in February, 1976, when it was unable to renew the lease of its mining rights. It is continuing to market chrome ore mined by Ucar Chrome Corp.

Ucar Chrome Corp.

This subsidiary mines chrome ore on property owned by another subsidiary, Jagdlust Chrome Co. The mine is located about 50 miles from Steelpoort in the Eastern Transvaal, in the Lebowa Homeland. Ucar currently has 133 employees.

Ruighock Chrome Mines (Pty) Ltd

This company formerly operated a chrome ore mine in the Western Transvaal. The mining lease and facilities were sold to Amcor Ltd. in 1974 when it became impossible to operate profitably while meeting Union Carbide's South African minimum wage guidelines.

Tubatse Ferrochrome (Proprietary) Ltd

This company, formed in 1974, is owned 49 percent by UCC, and 51 percent by General Mining and Finance. It will operate a ferrochrome smelter now being

constructed at Steelpoort which will convert Transvaal chrome ore supplied by General Mining into high carbon ferrochrome. The plant is expected to come on stream early in 1977. When it reaches full production, it will employ 350 people, including approximately 300 residents of the adjacent Lebowa Homeland.

Ucar Minerals Corp.

This subsidiary operates a vanadium mine at Brits, some 30 miles west of Pretoria, and a vanadium processing plant at Bon Accord, just north of Pretoria. The company was formed in 1967 to purchase the mine and mill then owned by Federale Vanadium Co. A new processing plant being constructed at the Brits mine site will be fully operational in 1977. Ucar Minerals currently employs 388 people.

Elektrode Maatskappy Van Suid Afrika (Eiendoms) Beperk (EMSA)

Located at Meyerton, about 40 miles south of Johannesburg, this company, which is owned 50 percent by UCC and 50 percent by South African Manganese Ltd., produces graphite electrodes for South Africa's electric furnace steel industry. It was originally incorporated in 1965 as a joint venture between South African and West German interests. Union Carbide acquired a 50 percent interest in 1971. EMSA currently employs 562 people.

Union Carbide South Africa (Proprietary) Ltd (UCSAL)

This subsidiary was incorporated in 1961 for the purpose of marketing in Southern Africa Union Carbide products from sources throughout the world. Sales offices are located in Johannesburg, Durban, and Cape Town, and warehouse stocks are maintained in those cities and also in Port Elizabeth and East London. The company also markets Glad plastic bags and wrap throughout South Africa. UCSAL employs 72 people.

Multifoil (Proprietary) Ltd

This company was acquired in 1974 from its founder, who retains a 25 percent interest. Multifoil extrudes low density polyethylene and polypropylene film and produces Glad plastic bags as well as a variety of specialty bags for local industry. The Glad bags are purchased by UCSAL and marketed throughout South Africa. Multifoil has 49 employees.

As is clear from the foregoing summary, Union Carbide does not have any overall policy regarding location of its operations within South Africa. The mining locations result from the location of available ore bodies. Our electrode company and Multifoil were acquired as going concerns, with location playing no significant part in our decisions, and our trading company's warehouses basically reflect the locations of their customers. The Steelport site was selected for Tubatse Ferrochrome because of the abundant chrome ore reserves in the area.

WHY WE OPERATE IN SOUTH AFRICA

As I have already indicated, our initial involvement, and our current chrome and vanadium mining operations, result from the fact that South Africa is where the ore is. As a major world supplier of ferrochrome and vanadium pentoxide for the steel industry. South African ore sources are essential to us. The existence of our ore processing operations in South Africa reflects the universal desire of raw materials rich countries including South Africa to upgrade the value of their exports, and also the high cost of shipping bulk materials like ore.

Our other manufacturing subsidiaries in South Africa, the graphite electrode company and the plastic film and bag producer, were of course not acquired because of any unique raw material availability. In these situations, as has been the case in all of Union Carbide's non ore-connected investments around the world, the motivating factor was our desire to participate in attractive markets for Union Carbide products which could not be economically served by exporting from the United States. When it has become impossible due to local competition to supply an attractive market by exporting, we have not infrequently elected to invest in foreign manufacturing facilities. Today South Africa is one of some 30 countries around the world in which we have facilities producing various products of the Corporation.

The existence of UCSAL, our trading subsidiary in South Africa, clearly bears out our interest in serving overseas markets with exports whenever pos-

sible. This company buys and resells Union Carbide products produced in the United States and also in some other countries, and also takes orders for direct shipment from the producing countries. The bulk of its business is in industrial and agricultural chemicals, but it also imports a wide range of other Union Carbide products, contributing significantly to export sales and earnings in the United States while filling market needs in South Africa.

EMPLOYMENT PRACTICES

Thoughout its long history in South Africa, Union Carbide has worked to improve the quality of life of its black employees, their families, and the communities in which they live. Basic contributions in food, housing, education, and medical attention have greatly increased black living standards virtually from our earliest involvement. In recent years greatly accelerated progress has been made.

Union Carbide's position on responsibility to its employees around the world is set forth in our "code of conduct," copies of which are available here this morning. Specifically in South Africa, Union Carbide's management is committed to achieving the following principles in the conduct of its operations:

(1) Equal pay for equal work;

(2) Fair wage rates that provide employees the opportunity to improve their standard of living;

(3) Benefit programs applying equally to all employees;

(4) Equal opportunity for all employees for advancement determined solely by merit and ability;

(5) Opportunity for each employee to realize his or her maximum employment potential;

(6) An active role to be taken in local nonpolitical community affairs by management at each location, with particular emphasis on assisting communities in meeting health care, educational, cultural, and recreational needs.

Not all of these goals have yet been achieved, but we have made what I feel is very significant progress. Of special importance is increasing nonwhite wages and our efforts to upgrade blacks to more responsible and better-paying positions through formal and on-the-job training.

Currently, the lowest paid individual at any location, including an affiliated chrome mine, receives wages that are at least 125 percent of the Minimum Living Level established by the Bureau of Market Research of the University of South Africa. Most are paid well in excess of this minimum.

The table on the next page compares black wage rates in October, 1974, with those at the beginning of this year for all daily and weekly paid employees of Ucar Minerals and EMSA, our largest employers in South Africa. The job categorization is per the National Electrical Manufacturers Association system, which is widely used in the United States and which we introduced in these subsidiaries in 1975 in order to assure comparable data. The NEMA system replaced other evaluation systems which we found unsatisfactory. Using the NEMA system, jobs are placed in 18 categories; for display purposes we sometimes abbreviate the 18 categories to 9 categories for clarity and consistency. as here.

COMPARISON OF WAGE RATES—AVERAGE STRAIGHT-TIME WAGES PAID TO BLACK EMPLOYEES

	Rands per month			Change, 1974–76 (percent)
	October 1974	April 1975	January 1976	
Job category:				
1	80	85	131	+64
2	87	95	155	+78
3	96	117	168	+75
4	113	132	175	+55
5	117	149	192	+64
6	110	159	222	+102
7	112	182	278	+148
8	121			
9				

Perhaps even more significant is the fact that we are reducing the gap between white and black wages for similar jobs. Since the first part of 1974, salaries in

the top two grades in which whites are employed have increased by 58 percent and 22 percent respectively. In the top grade in which we have black employees, the increase in the same period has been 148 percent. In real terms the average increase in the top black grade amounted to 166 Rand per month, while for white in the top two grades, it was R123 and R91 respectively. By the first part of 1977 it is our intention to have a single wage range applying equally to black and white workers.

With regard to upgrading blacks into more responsible and higher paying positions, the table on the next page illustrates our progress at EMSA and Ucar Minerals since the beginning of 1973.

		Black employees as a percent of total, January—	
		1973	1976
Grades:			
11 to 14	4 highest grades—from 0 to 48 employees	0	7.2
7 to 10	Next 4 highest grades—from 40 to 118 employees	9.9	17.7
3 to 6	Medium grades—from 48 to 155 employees	11.8	23.2
1 to 2	Lowest grades—from 318 to 346 employees	78.3	52.9
	Total employees—from 406 to 667		

During this period, the salaried staff of black employees at these locations rose from 0 to 17.

A new center is currently being utilized for training employees to become skilled artisans and operators at the Brits vanadium mine and mill. Other employees are being encouraged to increase their earning power through supplementary educational assistance. A new program which we are currently setting up will provide funds for full university scholarships for needy black and white South Africans, who need not have any connection with Union Carbide to qualify. The scholarships will be awarded based on competitive examinations, with equal amounts of money allocated for black and white winners.

This in brief is Union Carbide in South Africa. We think that our operations there provide significant benefits both to the host country and to the United States. Our investment in South Africa benefits South Africa and its people by providing jobs and profits. At the same time the exports pulled from the United States to South Africa as a result of our presence there provide increased jobs and earnings at home.

Above and beyond these economic benefits which our South African operations provide, our presence there makes a significant contribution to the movement towards equal rights in South Africa. Through our efforts to achieve equality of opportunity for all employees in our South African operations, we are providing an example of progressive employment and good citizenship which can be helpful to all South Africans.

Union Carbide's investments and activities in South Africa are not tre result of any special or unique aspect of the United States government policy. Nor do we expect or advocate any such special treatment now. As we see it, our interests, the interests of our stockholders and our employees, both in the United States and in South Africa will be benefited to the same extent the public interest in general is benefited by peaceful and constructive steps toward the settlement of the problems in that part of the world. That, as we understand it, is the aim of Secretary of State Kissinger and of this Committee.

At the same time, we are convinced that changes in U.S. policy aimed at forcing U.S. companies out of South Africa—by direct legislation or indirectly, by excessive taxation, will not serve the national interest. If we were forced to abandon our investments in South Africa, our facilities would continue to be operated by our successors. Our successors are not as likely, at this time, to have the same commitment to equality and to improving the lot of black and colored employees, and those employees would be the big losers in such an event. Our employees in the United States who are producing goods exported to South Africa would also be losers by no longer having the existing avenues to export our products to South African markets.

Furthermore, we are not aware of any evidence that our withdrawal would be effective in altering the policies or directions of the South African government. Clearly, turning our back on the problem is not a very effective way to deal with it.

COMMENDATION OF WITNESS, UNION CARBIDE

Senator CLARK. Thank you very much. The subcommittee particularly wants to welcome you here. We appreciate your remarks. I think you are the first person who has testified in these hearings that has kept strictly within the 10-minute rule. I want to say also we appreciate your coming here. We have contacted a number of companies. Although some are coming, most rather reluctantly, I must say Union Carbide was very good about responding as soon as we asked them to come because we know that you do do a lot of business there or at least a fair amount.

We appreciate your willingness to come and visit with us about a very difficult problem. We are also aware that Union Carbide has in recent years been making real efforts to improve its business labor efforts in South Africa. Since 1973, from wages in four of eight job categories for blacks were below the poverty datum line, the company has been able to increase wages to a point in which workers in all jobs are now being paid above the poverty line, according to your testimony, 125 percent above.

We understand the company has been encouraged through active home office involvement to improve its employments programs. We also would like to commend the company for these efforts, and New York also for their interest in it. While we are anxious to hear something more about your employment practices, I want to first, and foremost, commend you on the progress that has been made.

RUIGHOEK CHROME MINE OPERATIONS, CLOSEDOWN

I want to ask you some questions about other aspects of your operations in Southern Africa. I think, because I am sure other members of the committee will be here, we will limit ourselves to 10 minutes.

I am interested in the fact that Ruighoek Chrome Mines was closed down.

Mr. WAIT. Correct.

Senator CLARK. Because the company found that it became impossible to operate profitably while meeting Union Carbide's South African minimum wage guidelines.

When were these guidelines established? What are they? Did you establish your own minimum wage guidelines for South Africa?

Mr. WAIT. No, not our own. We relate to the minimum living level standards that were published 2 or 3 years ago. Then we arbitrarily put an excess factor on there of 25 percent.

Senator CLARK. I see. You have established a minimum wage guideline for Union Carbide in South Africa, and that is to be 125 percent of what is the minimum living level or poverty level. I guess we call it poverty level in this country. They call it minimum living. You live by that?

Mr. WAIT. Right.

Senator CLARK. Was it because you have established that guideline that you felt you could no longer profitably continue to operate the Ruighoek Chrome Mines?

Mr. WAIT. That is correct. When we calculated the cost of the chrome and the cost it would be at the ports, we discovered we would be noncompetitive in the world market. So we decided we would aban-

don the operation as we did. Ultimately, it was taken over by a South African company and I think it still operates.

Senator CLARK. The facility is taken over and is in operation?

Mr. WAIT. Right.

Senator CLARK. I assume it had been profitable before the guidelines were established. How long had you operated before it was shut down?

Mr. WAIT. We operated at Ruighoek probably for 20 years. It has been there a long, long time. The exact date I don't have.

Senator CLARK. Do you have any idea what was being paid prior to the establishment of your guidelines?

Mr. WAIT. The wages we paid there were competitive with the going rate for miners in the chrome ore business.

Senator CLARK. Yes. That is what I was trying to get at. What do you think that would have been at that time?

Mr. WAIT. In real numbers?

Senator CLARK. In real numbers or since we have been talking about the living standard, what would it have been? You have set a standard for 125 percent. Would it have been 100 percent or 75 percent?

Mr. WAIT. Senator Clark, that is a very difficult answer to give. First of all, we are providing food and shelter and a number of ancillary items. You add that into your wages. We have those numbers. If the committee is interested, I think we can supply them.

Senator CLARK. Yes; I would like to see those so we can get some idea what those wage levels were there and elsewhere.

[The information referred to follows:]

WAGE LEVELS AT RUIGHOEK CHROME MINES

(Supplied by: Dwight Wait)

The lowest starting wage paid to black miners by Ruighoek Chrome Mines in 1972, the latest year for which figures are available, was the equivalent of U.S. $13 per month and the average wage paid to all black miners by Ruighoek in 1972 was the equivalent of U.S. $22 per month.

WAGE GUIDELINES FOR BLACKS

Senator CLARK. What prompted the company to institute these guidelines? Obviously, you didn't have them before you were operating the company. Why did you decide to do that?

Mr. WAIT. I think there are a number of factors involved here. One I would describe as evolution. I think all of us have 20–20 hindsight. We look back on operations many years ago. We sometimes are critical of what we did with respect to wages, hours, working conditions here in the States or in any area in the world. It is an evolution that comes, whether you are operating in the United States or any place else.

I think part of it was just an increasing knowledge of the demands, social consciousness that have come upon all of us. I think our contacts with Washington and with the church groups have increased our sensitivity. I think it is a combination of factors that have influenced and increased concern in this area.

Senator PEARSON. Mr. Wait, as you set these guidelines in excess of what they had been, did you receive any sort of representations from the South African Government that these exceeded the policies they had as to employment of coloreds or blacks, any contact with the South African Government that would indicate you ought to be inhibited in these sort of economic quality goals you have outlined?

Mr. WAIT. My answer is no. We have another mine that we operate, Ucar Chrome, which is on that list. That is still operating. In this case, the ore body, its richness and so on, and the type of mining was such that by paying 125 percent of the minimum living level, we still had a viable operation.

At the point in time that we introduced these new levels, being a rather small operation compared to some of the other local operations, we actually made visitations to other mining houses in the area and told them what we were doing.

In the main, they were receptive to it. They weren't antagonistic. There were one or two exceptions of those who indicated this would make it very difficult for them to attract labor and so on. I think that is an obvious response in any area in the world.

Senator PEARSON. I am not sure you indicated what the Government position was. You operated under extensive rules and regulations.

Mr. WAIT. We have had in this case, the government didn't have any comments. I don't know that we even approached them.

Senator PEARSON. There had been no objection to any sort of liberalization of policy or effort on your part?

Mr. WAIT. Correct.

Senator CLARK. That is an interesting question. Does that mean then, as far as you know, that you could double or triple your wages of blacks without governmental interference? Obviously, you have other kinds of interference, you have indicated. To your knowledge, there has never been any attempt by the government itself to limit wages of blacks?

Mr. WAIT. That is correct. Of course, we have never quadrupled wages. So it might create a problem which would induce government interference; but in the main, we have carte blanche down there with respect to the wages we pay.

Senator CLARK. What about white labor unions, would they resist your greatly improving black wages? Do you think they might?

Mr. WAIT. The white labor unions, particularly in the crafts, are pretty tightly structured. I would anticipate some resistance to wage rates, unless they in turn got equivalency and probably percentage.

Senator CLARK. Your history shows you are not doing that, doesn't it? It shows you are making greater progress. I think these tables show that the gap is narrowing, that you really are paying blacks more, you are giving more increases to blacks than whites. Don't these white labor unions resist that?

Mr. WAIT. I used the word skill. The labor unions of skilled crafts, I think, are the most sensitive groups. The other, we have had no resistance with any other labor groups with respect to our programs to date.

Senator CLARK. You say at some point, I guess that would be in the next 6 months, that your goal is to have equal pay.

Mr. WAIT. Early 1977.

Senator CLARK. By the first part of 1977 it is your intention to have a single wage range applying equally to black and white workers. You don't anticipate any problem from the white labor unions in doing that?

Mr. WAIT. I would guess we would get some comments and so on. But I think probably world events, and events over there, hopefully, are softening the hard attitudes they have always had. It is our intention to move in that direction.

As a matter of fact, in certain areas now, we have made the move without any retaliation of any kind. We have two black high-rated employees who are on the same job ratings as are the whites. To date, we have had no resistance to that.

Senator PEARSON. Do you anticipate any governmental opposition to that?

Mr. WAIT. No; I don't.

OTHER SERVICES, FACILITIES AS COMPENSATION

Senator PEARSON. You indicated that in the compensation you provided many other kinds of services and facilities. Do you mean by that, housing facilities and company stores?

Mr. WAIT. It varies from place to place. Basically, we have stopped providing food, et cetera, and put it in the wages. We have stopped subsidizing in that area. We have put it in the wages.

Senator PEARSON. What about housing?

Mr. WAIT. There are certain housing benefit plans. As a matter of fact, right now we have a housing program whereby we help subsidize the blacks' housing requirement, his purchase of a house.

COMPLIANCE WITH GOVERNMENT SEGREGATION RESTRICTIONS

Senator PEARSON. Do all of those comply with the government restrictions of segregation and otherwise?

Mr. WAIT. Yes. These would be in a black segregated area. But they are permitted now to buy houses under certain conditions. We have helped them with their down payment.

Senator CLARK. My time is up, but I will keep going. You can interrupt at any point. We will just share the time.

GOVERNMENTAL, WHITE LABOR UNION PRESSURES PREVENTING SINGLE WAGE RATE

Is it fair by way of summary to say for the record that in terms of Union Carbide's experience, that there are really no very meaningful governmental or white union pressures that would prevent you from moving in the direction and hopefully accomplishing a single wage rate applying equally to black and white workers?

Mr. WAIT. The answer is yes, with this exception. I think in the skilled trades, the crafts, we may have a problem.

Senator CLARK. Could you talk about that a little bit, why that would be a unique problem?

Mr. WAIT. There is a very strong white union set up in South Africa and powerful politically. In the A category, the top A skills,

I think it will be several years before any black can invade that particular domain of the whites.

Our programs here are the skilled categories which will raise them to the B category which is slightly less than under the A category.

Senator CLARK. For the best jobs, you do not see equality of opportunity or equality of pay in the best jobs in industry in South Africa in the next few years, is that a way of saying it accurately?

Mr. WAIT. Yes. Hopefully, I think it is breaking down rapidly. I would hope that in 3 to 5 years we can bridge that stronghold, too.

Senator CLARK. But without exception then, you would be reluctant if other companies were to tell you it is really because of the government or it is because of white unions or it is because of the system that we can't have equal pay for equal work in the near future?

Mr. WAIT. My feeling and Union Carbide's policy is, we can have equal pay for equal work.

Senator CLARK. But there are certain skilled jobs that white unions would really resist having to go in an equal way to blacks.

Mr. WAIT. Right.

UNION STRUCTURE

Senator CLARK. Would you explain just briefly what the union structure is? As I understand it, you have very strong white unions. Blacks on the other hand have no negotiating unions. Is that an accurate representation or can you expand on that?

Mr. WAIT. No; that is an accurate description of it. In our operations it is outside of the skilled trades. The unions are not a factor.

Senator CLARK. It is only in the skilled trades?

Mr. WAIT. The craftsmen and so on.

Senator CLARK. That is an area where even today or even in the next year you could really provide equal pay for equal work?

Mr. WAIT. In that top A rating, there are a number of ratings below that where I don't think there is a problem.

BLACK SUPERVISORY POSITIONS OVER WHITE

Senator CLARK. Isn't there a Government policy, not a law, which is rarely violated, namely that no black may be in a supervisory position over a white?

Mr. WHITE. I made that statement a couple of years ago and I was pulled up short by our South African managing director. I have since checked. There is no South African law that says a black can't supervise a white.

The execution of that policy is something else because it involves white unions and with dissension among your labor forces.

Senator CLARK. There is not a law but a policy that blacks are never, or almost never put in a position of supervising over whites?

Mr. WAIT. I would say never, as far as I know.

Senator CLARK. As far as you know, blacks are never put in any position where they have any supervision over whites?

Mr. WAIT. That is correct.

Senator CLARK. That makes it difficult to realize almost any of those goals. You could have equal pay for equal work but you could never hold a supervisory position in the South African economy, could you?

Mr. WAIT. At this point in time, the answer is no, you couldn't. But again, you go back to the point of evolution, we look ahead in a few years' time, I think this custom, which is a custom, will have to break down and as you select and train and qualify, obviously, good black people, I believe that we will see black supervisors in South Africa.

Senator CLARK. But you see no evolution of that at the moment? I mean, there are not a few starting. You are saying it will come to that because of other kinds of changes but you see no evolution in that direction in terms of a beginning?

You don't know of any company in South Africa where there is a black in a supervisory position to your personal knowledge?

Mr. WAIT. No, I don't know of any. You mean where they are supervising a white?

Senator CLARK. That is right.

Mr. WAIT. No, I don't know of any. We have black people on salary, 17 of them now.

Senator CLARK. Repeat that.

Mr. WAIT. We have 17 blacks on supervisory salary-type work. But they are not supervising white people.

Senator CLARK. They are supervising other blacks?

Mr. WAIT. Right.

Senator CLARK. What do you think, in your judgment, would happen if you were to try that? You don't think the Government would stop you? If you were to put——

Mr. WAIT. I have to assume, first of all, a real qualified black. He would have to be very well qualified.

Senator CLARK. You have 17 of those supervising other blacks now?

Mr. WAIT. Right. I would imagine we would have white labor problems, not because of Government intervention but just because of whites not accommodating to it. I think probably we had a replay of that 20 years ago in our own country.

Right now we are not ready for it in South Africa. We could expect trouble.

Senator CLARK. Would you be surprised to see that occur in the next year, or the year after, or the year after?

Mr. WAIT. I would say blacks supervising whites in South Africa, might make it in 5 years.

BYRD AMENDMENT REPEAL

Senator PEARSON. You made reference to your successors. Properly so, I understand you are very much in favor of the Byrd amendment. Of course, the Secretary of State has indicated what the policy of this Government ought to be. What do you foresee if Congress and the President should approve the repeal of the Byrd amendment?

Mr. WAIT. I probably would need a little help from my colleague here. I just might say, our position on the Byrd amendment is non-political. We are supplying information to Government agencies that request it.

We think we have some information of value with respect to the availability of reserves of chrome, the effect on our economy.

Senator PEARSON. Yes, I understand you have been very cooperative.

Your position is concurred with by a majority of the Congress who think this is in our national interest. I am just asking you to speculate as to the events of the future should Congress appeal the Byrd amendment.

What would be the relation to the Russian market?

Mr. KENNY. The repeal of the Byrd amendment would not have a significant effect on Union Carbide. Obviously, the ability to ship in or out of Rhodesia is extremely limited at the present time under the best of circumstances.

We don't depend on Rhodesian chrome for the large share of chrome we supply our markets with today. The increased activity and production in South Africa will provide a hedge against the market, in a sense. But clearly for our general purposes of the U.S. economy, there are three or four major sources of chrome in the world.

Senator PEARSON. It wouldn't affect operations?

Mr. KENNEY. It would not.

UNION CARBIDE RHODESIAN SMELTER MINES

Senator CLARK. I would like to pursue that a little further, too, if we might. You still have, as I understand, two smelter mines in Rhodesia?

Mr. WAIT. Correct.

Senator CLARK. Could you describe those briefly, what they do, or the size of the operation, what is involved there?

Mr. WAIT. Yes. We have Rhomet, we own Rhomet Corp. in Rhodesia. It is a sizable smelter, 120,000 tons per annum of ferrochrome. We own a series of mines in African Chrome Corp. and two big chromium lines in Rhodesia.

These are the world's highest quality chrome, a metallurgical grade. It has a much richer chrome content than South African chrome.

UNION CARBIDE POSITION RE BYRD AMENDMENT

Senator CLARK. You are aware, obviously, that Senator Pearson said that there is a considerable controversy over the Byrd amendment. In fact, the Senate repealed it by more than a two-third vote more than 2 years ago.

The House failed to do that. What is Union Carbide's position on the Byrd amendment at this point?

Mr. KENNEY. We testified before a congressional committee last year, at the request of the committee, in support of retention of the Byrd amendment.

Senator CLARK. Is that still your position?

Mr. KENNEDY. Yes, sir.

Senator CLARK. What was your exact answer to Senator Pearson in terms of how it would affect you? Suppose the Byrd amendment were repealed, it would not have a particularly adverse effect on you?

Mr. KENNEY. It would not have a significantly adverse effect on Union Carbide. I should make it clear that while we own these properties in Rhodesia, the corporation does not control their operation, nor does it have access to whatever profits accrue from them.

UNION CARBIDE'S CONNECTION WITH RHODESIAN COMPANIES

Senator CLARK. But you set the policy for the company?
Mr. WAIT. No. You mean for the Rhodesian companies, no.
Senator CLARK. What is your connection?
Mr. WAIT. We are permitted surveillance rights of Carbide's property in Rhodesia but we are not allowed to operate or control in any way those activities.
Senator CLARK. What is your connection with them?
Mr. WAIT. We are allowed to go up and survey, watch, look.
Senator CLARK. Do you own them?
Mr. WAIT. We are permitted to own them.
Senator CLARK. But they are operated by the Government?
Mr. WAIT. Correct.
Senator CLARK. Wholly owned by you?
Mr. WAIT. Yes. When the legislation was passed, we ordered them closed down. The Rhodesian Government immediately took them over and they operate them. The marketing is carried out by a Rhodesian Government group called Univex. They sell around the world.

CHROME IMPORTS FROM RHODESIAN FIRMS

Senator CLARK. How much chrome did you import from them, let us say, last year?
Mr. WAIT. I would say probably under the Byrd amendment, we took in 20,000 tons.
Senator CLARK. You indicated this wouldn't be any great problem for you. How important is it? Is there any way you could give the dimension of what 20,000 tons of chrome is, compared to your total operation?
Mr. WAIT. Compared to the total operation of Carbide's activities of $5½ billion, as Mr. Kenney pointed out, it is sort of miniscule. But it is important.

CHROME IMPORTS RELATIONSHIP TO NATIONAL NEED'S DEMAND

Senator PEARSON. What does that represent in relation to our national need and demand for chrome?
Mr. KENNEY. In 1973, we imported the equivalent of 142,000 tons.
Senator PEARSON. I don't understand what that means. What does it means to the total requirement for industrial uses in this country?
Mr. KENNEY. The amount that the United States is getting from Rhodesia would be approximately a little over 10 percent.

U.S. CHROME SUPPLIES

Senator PEARSON. Where do we get the U.S. chrome we need?
Mr. KENNEY. South Africa, Russia, Turkey. These are not up-to-date figures.
Mr. WAIT. I was going to say, if you want to get into the details of this, we would be happy to supply you with the numbers.
Senator CLARK. We would like to have those.
[The information referred to follows:]

CHROME IMPORTS

(Supplied by: Dwight Wait)

Total imports of chrome to the United States in 1975 in the form of ore and alloy were 582,185 short tons.

Total imports of chrome by Union Carbide in 1975 in the form of ore and alloy were 62,761 short tons.

Senator CLARK. You said 142,000 tons in 1973. Your guess was probably 20,000 tons last year?

Mr. WAIT. Last year.

Senator CLARK. You had a significant drop since 1973?

Mr. KENNEY. No, that was a worldwide total of U.S. supply.

Senator CLARK. 142,000 tons?

Mr. KENNEY. Right.

Senator CLARK. But only about 20,000 of that is Rhodesian chrome, but a high-quality chrome?

Mr. WAIT. Right, a high-quality chrome.

PERCENTAGE OF CHROME IMPORTS BELONGING TO UNION CARBIDE

Senator CLARK. Do you have any idea what percentage of the chrome that is imported into this country would belong to Union Carbide? Are you the largest importer of chrome from Rhodesia?

Mr. WAIT. I would say no.

Senator CLARK. What other companies might there be?

Mr. WAIT. Airco, Russian chrome, there are others. This is a competitive business.

Senator CLARK. This is Rhodesian chrome?

Mr. WAIT. No, Russian.

Senator CLARK. Are you the largest importer of Rhodesian chrome?

Mr. WAIT. Yes, I would say we are.

Senator CLARK. What percentage of Rhodesian chrome that comes into this country, comes through Union Carbide? I won't hold you to an exact percentage, but just a ball park figure.

Mr. WAIT. Sixty percent.

Senator CLARK. Sixty?

Mr. WAIT. That is strictly an estimate.

EFFECT OF BYRD AMENDMENT REPEAL ON UNION CARBIDE

Senator CLARK. So you import more than other companies and perhaps more than half of the chrome that is imported in this country. You do not feel if the Byrd amendment were repealed, that you would be seriously adversely affected. Is that a fair statement?

Mr. WAIT. Yes.

Senator CLARK. This is going to become an issue as you know, next January in this committee and in the Congress. You don't intend to lobby against it?

Mr. WAIT. This is our statement and we couple that with the fact that we would supply data where requested as we have in the past.

Senator CLARK. That would be very helpful to us.

Mr. KENNEY. We have neither lobbied for or against it for a number of years now, Senator.

Senator PEARSON. That is most unusual.

REASON FOR JOINT VENTURE WITH GENERAL MINING

Senator CLARK. I wanted to ask you also, I noticed in your testimony or from some source, that you are undertaking a joint venture with General Mining to form Tubatse Ferrochrome. Why did you decide to do that?

Mr. WAIT. First of all, we wanted to continue in the chrome ferroalloy business. We checked a number of businesses in South Africa who might have the necessary infrastructure and so on to qualify as a possible partner in a joint venture. The General Mining Finance Co., a big South African company, seemed to have the necessary qualifications to be a joint venture partner. They are big in mining, particularly in their chrome mines, coal mines, and so forth.

They are strong financially. Their infrastructure management was solid. Their philosophy of employment relations and so on were compatible with ours. We went to great lengths before we signed up with the mining company to determine whether or not they would go along with Carbide's philosophy and policies——

Senator CLARK. That is exactly what I wanted to ask you about, of course. It is our general impression that General Mining has not been quite as progressive as Union Carbide in this regard. Do they have controlling interest in this company?

Mr. WAIT. Yes, they have 51 percent.

Senator CLARK. And you have 49 percent. This new company is going to pay the same kind of minimum wage that you have established for yourselves, all the same guidelines that Union Carbide has will be practiced by the Tubatse Ferrochrome Co.?

Mr. WAIT. Correct. We have had no problems. They have signed off on the philosophy and I think beyond that, they embrace it. They are very progressive, very liberal.

Senator CLARK. Senator Percy?

Senator PERCY. I will not, Mr. Chairman, be able to stay for all of the testimony today. I would like to comment that, while in South Africa a few months ago, I met with representatives of Union Carbide management and a number of other American companies.

I am quite satisfied as a result of several hours of discussions that American corporations have been really leaders in improving working relations, in offering opportunities, and our presence there has been an important factor to the limit as they explained to me, as to how far they can really push the Government, in a sense. I think that our presence has been responsible and the American companies have conducted themselves very well, indeed.

MANAGEMENT-LEVEL POSITIONS

I would like to ask Mr. Wait, what management level are you describing in your testimony? Could you fill in a little more detail—are they white-collar jobs? What do they represent when you talk about management level?

Mr. WAIT. These salaried staffs of black employees, the list of 17, those are white-collar jobs. They are obviously not the managing director or the director of technology or the head of development; but those are white-collar jobs.

One man listed in that 17 is a fellow by the name of Jeffery Rapo. We have brought him to the United States for training from black South Africa. He is now doing a fine job in one of these categories, salaried with the Vanadium Co.

UNION CARBIDE'S POLICY REGARDING BLACK EMPLOYEES' COMPARISON

Senator PERCY. Could you give us some feel as to how Union Carbide's policy in regard to black employees compares with other South African industrial companies, whether they be entirely owned or they be American companies? How would you rate the progress that you have made?

Mr. WAIT. I am not eminently knowledgeable on that subject. I have been led to believe by our management down there that other American companies, particularly, are moving in the same direction; but whether or not there is a host of American companies down there, I have to assume they have the same general philosophy as Carbide.

As a matter of fact, our philosophy in South Africa with respect to employment is lifted right from Carbide's philosophy here in the States. All the things we say we want to do there, we try to do here.

There isn't anything unique about that policy, treating employees with dignity and respect and honor, and so on. The wages and hours and working conditions are one thing; beyond that are attitudes. We try to imbue our management with that philosophy, whether it is in the United States or South Africa or wherever we operate.

KISSINGER VISIT TO SOUTH AFRICA

Senator PERCY. Last, I would like, if you haven't already been asked for, any comments you care to make about Secretary Kissinger's visit, how you and your colleagues regard this.

Some charge this is a dangerous intervention by the United States. Others have said it is essential and necessary. I notice that, today in the Washington Post, it looks at though the one hope that I had for that visit, the highest hope, the progress in Namibia, according to the headline, there is a breakthrough seen.

The process of negotiation is being accelerated very rapidly now because of the Kissinger visit, or at least as part of the accelerating process. I look on that as a great hope, but do you see it having any effect on South Africa itself?

Mr. WAIT. Normally, Carbide doesn't take a political stance on those things. I have to speak more as an individual and based on comments from my managers over there. I, and our men there, applaud Kissinger's effort to bring people together and talk and try to negotiate some kind of a settlement.

Whether or not this thing will be productive in the long run, I don't think anyone can tell. Whether or not it will end up like Lebanon or Northern Ireland is a rather impossible situation to forecast. I think our group applauds his efforts and his determination to try to get people at the same table to talk about their differences.

Senator PERCY. Thank you very much, indeed. I appreciate your testimony today.

Mr. Chairman, both Senator Javits and I have a meeting with the President at 12 o'clock and we have to prepare for that meeting. I will have to excuse myself.

I do notice Mr. Birrell of Mobil Oil is here. I have no questions of him, other than I have glanced through their testimony today. I was pleased to have that put right on the record.

COMMENDATION OF MARCOR

A very important part of Mobil now is Marcor. I just learned yesterday that Montgomery Ward, Marcor, and so forth, are merging their Washington operation with Mobil. I did want to say to Mr. Birrell that Marcor has done an absolutely outstanding job in working with the Congress.

I would hope it would not mean any basic change in policy at all when you merge it together. That is a corporate decision, but they have really been outstanding in working with us in very forward moving things that I think are an advance and recognize a social consciousness of business that is the same subject we are discussing here, how do we conduct ourselves in South Africa.

I always felt American corporations were way ahead in personnel policies and everything else, all over the world, of most companies doing business there. I just point out again, Marcor is an outstanding example of a company that has been very progressive in working ahead of the American business community and many things that I feel as an industrial legislator now are that it is absolutely necessary for business to take the incentive and initiative themselves.

We look forward to working, obviously, with a larger mining corporation now, sort of what we hope will be the same, I am sure will be the same, social objectives.

Thank you, very much, Mr. Chairman.

Senator CLARK. Thank you, very much.

SOUTH AFRICAN GOVERNMENT RESTRICTIONS OF U.S. COMPANIES

In connection with what Senator Percy was saying, just one follow-up question. He was complimenting you particularly on your record, given the restrictions of the South African Government.

Is it fair to say that the Government of South Africa imposes no restrictions upon your labor practices, that you can set wages at any level you like?

Mr. WAIT. I don't want to beg the question. If we had tried to put them by 10 times, I don't know what would happen. In all of our recent increases in wages and so on, we have had no interference whatsoever. I don't believe within reason they will stand in the way.

Senator CLARK. Is it fair to say that you can establish training and apprenticeship programs as you wish to do it, as far as the South African Government is concerned?

Mr. WAIT. I think our managemnt has touched base with some of the Government infrastructure with respect to training programs. We just put up a new training program to handle blacks at our vanadium complex.

I am pretty sure that the manager did contact one of the Government officials and tell him what we were doing and so on. We had no interference. In fact, we felt they were encouraging us to do this sort of thing because of the lack of funds and the location of their nearest training center was so far away it would be very disadvantageous to bus people over and bring them back.

Senator CLARK. It is my understanding that companies can train blacks to do apprenticeship jobs, skilled artisans jobs, but they could not be officially qualified. In other words, there is a Government-imposed restriction on blacks becoming qualified artisans. Is that not correct?

Mr. WAIT. The only one I know of is the A category. Terry Myers has been over there. He may have more information on that than I have. The only one I know of is the A artisan. The rest of these men we are training we have every intention of moving them into these positions.

UNION CARBIDE/HOMELANDS GOVERNMENT RELATIONSHIP

Senator CLARK. Some of the highest artisan positions.

You say that the company is operating a chrome mine in the Lebowa homeland. Could you describe your relationship with the homeland government, what are the royalty relationships and so forth?

Mr. WAIT. Senator, which item are you——

Senator CLARK. Let me look at the testimony.

Mr. WAIT. It is probably Tubatse Ferrochrome.

Senator CLARK. Ucar Chrome Corp., located about 50 miles from Steelport in the eastern Transvaal, in the Lebowa homeland. What is your relationship with that homeland government? You pay them royalties? What is the relationship with them?

Mr. WAIT. In the case of the mines—there are two items here. One, we have the mine in Legowa and, two, we have the Tubatse Ferrochrome close to the border, about 2 miles from the border.

Senator CLARK. You are operating the mine in the homeland and then right outside within 2 miles is the smelter?

Mr. WAIT. Correct, but the mine does not supply anything for the smelter.

Senator CLARK. Why not?

Mr. WAIT. Because General Mining, our partners, are in the chrome mining business. They supply all the chrome. The chrome from the Lebowa mine, it is a very small mine, is exported on the world market.

Senator CLARK. There are two separate operations, even though they are in the same general area?

Mr. WAIT. Yes.

Senator CLARK. What is the relationship, your relationship, Union Carbide's relationship with the homeland government? Do you pay them royalties? We would like to look at an example of investment in a homeland as distinguished from the nonhomeland parts of South Africa.

Mr. WAIT. My recollection is we pay them a royalty. We will check and give you that figure, if there is one. I don't have it right offhand.

[The information referred to follows:]

ROYALTY PAID TO HOMELANDS GOVERNMENT BY UNION CARBIDE

(Supplied by: Dwight Wait)

Union Carbide's subsidiaries in South Africa do not pay any special royalty to mine ore in the Homeland areas over and above what it would pay to the owner of a mineral property in a non-Homeland area in South Africa.

HOMELAND INVESTMENT OPPORTUNITIES

Senator CLARK. We try to look at this investment within the homeland because that has become somewhat of an issue, should we discourage, encourage, what opportunities does investment in the homeland offer the company or offer the Bantustan itself or the workers there from your point of view or is it, as far as you are concerned, exactly like an investment some place else?

Mr. WAIT. As far as we are concerned, it is an investment like anyplace else. Different homelands might offer different attractions. The mine is in the Tswana homeland. There we have paid a royalty for mining ore at this mine.

Chief Phatohi leader of the homeland LeBowa group in South Africa is a very knowledgeable man. He has indicated that he thinks our presence there is a turn for the better.

Recently, he visited us in New York. He made the statement that he had already begun to feel the effects of Carbide's presence there with respect to wage policies, working conditions, training his people because they are all going to be from that general area and most will be from Lebowa. We are going to train these men to run the big furnaces.

Senator CLARK. You are speaking of the smelting plant outside?

LEBOWA CHROME MINE EMPLOYEES

Mr. WAIT. Right, the same thing would apply to this small mine in Lebowa.

Senator CLARK. How many do you employ there?

Mr. WAIT. Fifty people.

SMELTING FACILITIES EMPLOYEES

Senator CLARK. How about the smelting facility?

Mr. WAIT. It will be 350 people when it is on-stream.

SOUTH AFRICA GOVERNMENT INCENTIVES TO ATTRACT INVESTMENT

Senator CLARK. Were there any particular South African Government incentives that attracted investment? Were they particularly anxious to have a Lebowan homeland or do they not care as far as you know?

Mr. WAIT. They don't seem to resist the effort. When we search for these business opportunities, it is on the basis of a viable business. Then we go to them and say here is what we would like to do. What will you do with respect to power, to infrastructure, and so on?

Senator CLARK. There is no particular incentive to go into a homeland?

Mr. WAIT. No.

Senator CLARK. No particular encouragement to do that, as you are aware of?

Mr. WAIT. No. We are mainly in the ore business. If the ore is in the homeland, then the incentive is significant.

MOTIVATION FOR PUTTING SMELTER PLANT CLOSE TO HOMELAND

Senator CLARK. Yes, except the smelter which is not in the homeland, what was the motivation for putting it that close to the homeland?

Mr. WAIT. One of the reasons was the ore supplied by General Mining was within a reasonable distance. We had closed down the Steelport mine which reverted to TCL at the end of the lease. We had a number of trained people there that we have transferred over to our Tubatse mine.

Senator CLARK. But the proximity to the homeland, 2 miles, is that totally coincidental? Could it have easily been in the homeland or 20 miles someplace else?

Mr. WAIT. Yes, it could have been in the homeland or it could have been 30 miles down the road, if you want.

Senator CLARK. The fact that there is a homeland border 2 miles away is totally coincidental, as far as you are aware?

Mr. WAIT. In that case.

Senator CLARK. In other cases?

Mr. WAIT. For example, in the vanadium complex, there are tremendous deposits of vanadium there. Our mine is in there and our processing plant is about half in the homeland and half out just by, I guess, coincidence.

CARBIDE CONCERN FOR HOMELAND POLITICAL FUTURE

Senator CLARK. Was the company at all concerned about the political future of the homeland that you are settling in? You are aware, of course, that the Government intends, apparently to grant independence to the homelands. One of those homelands, the Transkei, is being granted its independence on October 26, as the first homeland.

How does that affect your own investment attitudes and so forth, the fact that some of these are becoming independence? Do you have any concern about that one way or another?

Mr. WAIT. Obviously, we are concerned about the stability of any of the countries or homelands where we operate. I would have to say that events in the last 6 months sensitize us a little bit as to whether or not what is going to be the viability of the homeland we had assumed it would be a year or two ago, but in operating around the world, Senator, we are continually impacted by the fragile nature of some of these governments as we see them come and go.

We just try to do our thing with respect to mining or processing, try to keep out of the political arena and be of value to the total country's infrastructure.

Senator CLARK. You don't fear that homeland independence might bring nationalization of your investments?

Mr. WAIT. I guess maybe we fear it. We think Lebowa or DeSwana might, 5 or 20 years from now, nationalize a company. Those are risks we take all over the world, not just in the black African homeland.

Senator CLARK. That isn't the reason you established this one just outside the homelands?

Mr. WAIT. No; because we have one in the homeland.

Senator CLARK. But that is where the ore is. As you say, you don't have much choice there. In any case, as far as you know, that was not a motivation?

Mr. WAIT. No. We have tried to relate to the homeland chiefs' duties, and so forth. We have all met them. We have tried to meet their ministers, tried to understand their requirements, listen to their many problems. To date, we are more than satisfied that we are enforcing betterment in that particular operation.

STUMBLING BLOCKS TO FULFILLING GOALS

Senator CLARK. Just a couple of other questions and we will go back to labor practices. In your testimony you were quite frank and said the company had not achieved all of its goals. You have established some rather high goals here.

What has held you back this far? I gather that the Government has not proved to be one of those. What is apt to hold you in fulfilling these goals in the next year or two?

Mr. WAIT. One of the problems we are facing is to move these men into better paying jobs, they must be qualified. They must be able to have the capability and the tools to do the job. This is not easy wherever you operate. If we make mistakes and put them on the job and they can't perform, it will have an affect on their countrymen and probably the whites and even the coloreds. They will say, "We told you they couldn't do the job."

We are trying to be very selective in these candidates for the jobs and move them up. I think probably we will run into some industrial relations problems from time to time as we move those men into the higher rated jobs.

So far we have been successful, but we have eight different operations there. There are a good many people involved, 1,500 to be exact.

Senator CLARK. How many, to be exact?

Mr. WAIT. There are 1,500 employees in South Africa.

NUMBER OF BLACK EMPLOYEES

Senator CLARK. How many of those would be black?

Mr. WAIT. About a thousand, and increasing as we bring on Tubatse Ferrochrome plant. As my colleague points out here, it takes time to train these black aspirants for these better jobs. This is something you don't do overnight as much as you would like to do it.

We have had a couple of cases where we were able to relocate a man who was qualified. We put him immediately into the proper job category, which in this case happened to be paid the same as that for a white; but those are unusual.

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Senator CLARK. But you do have this very important category of category A or highest category of skilled workers where you are not allowed simply because of pressures from the white skilled unions to elevate blacks and then the South African practice of not allowing blacks ever to supervise whites. That has to be a caveat of importance.

UPRISINGS, STRIKES AFFECT ON CARBIDE

Last, could you comment on the current situation in South Africa? I am speaking of the uprisings, strikes, and so forth? What effect have they had on you? What positions have you taken to workers who have struck? If so, what are the difficulties that you have encountered?

Mr. WAIT. We check the situation down there weekly, sometimes more frequently, and to date at our eight different corporations with that wide spectrum that we have got in South Africa, we have had literally no problems.

Our work forces have been in full attendance at the Elektrode Plant and at Tubatse and so on, with one exception; that is, the head office in Johannesburg that has a number of blacks that live in Soweto. With these strikes we have all read about in the papers, 3 days this week none of the blacks were able to come in. They tell us they want to come in. Of course, what they tell us and what they believe is something else. I wouldn't want to venture a guess on that.

CARBIDE FACILITIES LOCATED NEAR SOWETO, JOHANNESBURG

Senator CLARK. So what do you have located near Soweto or Johannesburg?

Mr. WAIT. Johannesburg is our head office for Union Carbide. We have the regional director, Mr. Dyer, works there and his assistant. There are a number of people. There are a very few blacks in it, three or four, but they live in Soweto.

Senator CLARK. It is those three or four you are referring to there?

Mr. WAIT. Yes, outside of that, other areas, Tubatse, other areas we have had no problems.

FERROCHROME OPERATION MOVE AFFECT ON U.S. JOBS

Senator CLARK. Union Carbide is reducing its ferrochrome operation in the United States, as I mentioned it, and moving it closer to the chrome mines, to South Africa. What has been the impact with this change in company policy as far as the U.S. jobs are concerned?

Mr. WAIT. These mines in South Africa have the attraction for putting the ferrochrome operation over there. The actual smelter operation is in the States. We make many different kinds of ferro alloys. I think in this case it is converted to ferrous manganese.

Mr. KENNEY. It has had no effect on the level of employment in the United States.

Senator CLARK. The level of employment has stayed the same?

Mr. KENNEY. That is correct. In fact, it has increased in some respects.

Senator CLARK. We thank you, very much, for your time.

Senator PEARSON. Thank you, very much.

WITNESS

Senator CLARK. Would Larold Schulz please come to the table? Larold K. Schulz is the next witness. He is an ordained minister of the United Church of Christ.

Since 1973, he has been the executive of the United Church of Christ's social action agency. He was a consultant on urban planning and community development from 1968 to 1973 and Executive Director of the National Council of Churches' antipoverty programs in the 1960's.

As I understand it, you are a graduate of the University of Chicago and a resident of White Plains, N.Y. It is my understanding that you will testify on the church's view of the role of U.S. companies investing in Southern Africa with particular references to the questions of Mobil Oil's subsidiary and their possible relationship to sales of petroleum in Rhodesia.

Is that a fair summary of what you are going to talk about?

STATEMENT OF REV. LAROLD K. SCHULZ, EXECUTIVE DIRECTOR OF THE OFFICE FOR CHURCH IN SOCIETY OF THE UNITED CHURCH OF CHRIST; ACCOMPANIED BY EDGAR LOCKWOOD, COUNSEL, AND MICHAEL CUDDY, COUNSEL FOR THE OFFICE FOR CHURCH IN SOCIETY

Reverend SCHULZ. Yes, Mr. Chairman, that is correct.

Senator CLARK. You proceed, however appropriate for 10 minutes. Please identify the others at the table.

Reverend SCHULZ. Thank you, very much, Mr. Chairman.

On my right is Edgar Lockwood, counsel to me; on my left is Michael Cuddy, attorney for the Office of Church in Society.

Let me comment on the name. There have been three different names for the agency. It was originally the Council for Christian Social Action. In 1973 the name was changed to the Center for Social Action and on July 1 of this year the name was again changed to the Office for Church in Society.

Senator PEARSON. That is as bad as the Government.

Reverend SCHULZ. I am not going to read my testimony. I am going to read portions of it, but it is very lengthy and goes into some things which are background.

Senator CLARK. You have no written testimony to distribute, I understand?

Reverend SCHULZ. Yes, we have written testimony. It is a 15-page document.

Senator CLARK. That will be made a part of the record.

TREASURY DEPARTMENT CONTACT WITH WITNESS

Reverend SCHULZ. I need to preface my remarks by saying that I make reference on several occasions to the failure of the Office of Foreign Asset Control of the Department of Treasury to be in touch with us. I wrote this testimony the first of the week. I must say to you that we received a call from Mr. Richard Hollis, Chief of Enforce-

ment for the Office of Foreign Asset Control in the Department of Treasury, who asked to come and see us yesterday afternoon at 1:30.

I stand by the statements I make in my testimony, except to say that yesterday Mr. Hollis did visit us.

Senator CLARK. Is this the first time that the Treasury Department——

Reverend SCHULZ. The first contact that we have had from the Treasury Department since we hand-carried these documents to them on the 21st of June.

Senator PEARSON. What was the purpose of that visit?

Reverend SCHULZ. To see the documents we had in our safe.

Senator PEARSON. Did you have any discussion on this matter after that time?

Reverend SCHULZ. No, no discussion. When I released documents relating to the supply of petroleum products to Rhodesia in apparent violation of U.S. law, I released those documents which I believed offered substantive proof of that conspiracy. They provided, in my view, an ample base for both Mobil and the Department of the Treasury to make a thorough investigation and allow Mobil to explain its position.

RECONCILING MOBIL RELEASE WITH MEMORANDUM CONCERNING RHODESIAN PETROLEUM SALES

I was shocked about 3 weeks ago by a Mobil release which stated in part, that Mobil's South African affiliate has reiterated that it discontinued supplies of petroleum products to our Rhodesian affiliate in 1966 and has not recommenced such supplies since.

It seems appropriate, therefore, to submit to the committee a copy of a memorandum written 6 years later on June 25, 1974, to be exact, by W. F. De La H. Beck, chairman of Mobil South Africa, to Mr. J. B. Nicol, managing director, Mobil Rhodesia.

Senator CLARK. You are quoting now from a letter?

Reverend SCHULZ. I am going to quote it right now:

> There is obviously no reason why Oilcom service stations should not be supplied with our branded oils and greases at the same price as Mobil service stations. The question of whether we will in fact be in a position to blend and package their own branded products is an entirely different matter and will depend on their specifications and the quantities required.
>
> Our answer, therefore, in regard to lube oils and greases is that we shall naturally be willing to sell our branded products at normal list prices.

Mr. Chairman, this memorandum refers to the sale through Rhodesia, or at least under Mr. Nicol's direction, of products to a subsidiary of a Rhodesian corporation which operates service stations in Malawi. It is interesting that it is the president of the Mobil South Africa affiliate who is writing the memorandum and that it is going to the managing director of the Mobil Rhodesia.

I think there are other interesting things about the memorandum which I do not quote. I think the most interesting thing is the comment at the beginning of the memorandum about the secrecy required and Mr. Beck chiding Mr. Nicol for not being careful about how he is handling his correspondence.

The reason for this is apparent to us, after studying the situation, is that correspondence related to what we call the conspiracy of

Mobil South Africa to provide oil products to Mobil Rhodesia was carried on secretly and that mail and telephone calls went to the homes of individuals who were the corporate executives involved.

In this particular case, Mr. Beck is chiding Mr. Nicol because this is not a secret document. This is a document that he should have handled through the proper channels. In fact, it was handled secretly and it could have lain on the desk of the person he was sending the document to because that person was going on vacation and just happened to pick it up before he left.

We believe that this is documentary proof that 6 years after the claimed cessation of sales of petroleum products as stated in Mobil's news release of 3 weeks ago, sales of refined petroleum products were continuing through Rhodesia, even if they were directed to an operation that was operating service stations in Malawi.

I have provided Mobil with a copy of my documents. I call upon them to reconcile it with this news release of 3 weeks ago.

Senator CLARK. This letter has now been provided to Mobil?

Reverend SCHULZ. Yes. Let me comment on that. I notice, having read part of the Mobil testimony, that they have indicated that I had not, at that time at least, turned over all the documents to them. As of yesterday afternoon at approximately 3 o'clock, all the documents that we have are in Mobil's hands.

Senator CLARK. Including this letter?

Reverend SCHULZ. Including this memorandum. I did not receive, until September 9, the letter from Mobil which, incidentally, is the first contact that Mobil made with me since our submission of the documents. I received a letter, dated August 31 from Mobil Oil, on September 9.

When I received it, I immediately called Mr. Birrell to indicate that I had received the letter. I could not reach him at that particular time. He then called me and I did make arrangements to send copies to him, which I think went on Tuesday of this week. Then yesterday afternoon, we hand delivered this document.

Senator PEARSON. Reverend Schulz, how did you obtain this document?

Reverend SCHULZ. Let me continue a bit longer because my statement goes into that. Mobil has demanded of us that we provide proof of the authenticity of the documents previously made public. This extraordinary demand deserves attention.

I received the documents from a source which I regard as reliable. It must be obvious to everyone, including Mobil, that I am morally bound not to reveal the names of the source.

Despite my confidence in my source, I nonetheless took the precaution before releasing those documents to submit them to two attorneys for judgment. Both agreed it would be impossible in light of the details contained in them for the documents to be fabricated. Both attorneys have served on congressional staffs.

I then submitted the documents for inspection to two attorneys who are specialists in corporate law. Both came to the same conclusion. Still another attorney, this one an expert on international sanctions law confirmed their opinions.

Later, I offered these documents to a trained newspaperman who published a story based upon them, thereby, evidencing some conviction that the documents were authentic.

The primary responsibility for disproving the authenticity of these documents was squarely on Mobil. The copies were taken from their files. The officials have only to determine the authenticity of the copy. It is noted that no claim has been made that the originals do not exist or that the documents are not true copies. Instead, there is the insistence that they prove what is clearly within the power of Mobil to deny, if they dare.

OFFICE FOR CHURCH IN SOCIETY RECOMMENDATIONS

I would, Mr. Chairman, like to comment on a few things other than the particular concern we have about the documents with regard to Mobil before my time is up and I see it almost is. I want to highlight the recommendations at the end of my written testimony.

(1) That the Congress immediately undertake investigation of U.S. oil companies located in South Africa to insure that these companies are not supplying any petroleum products directly or indirectly through South African companies, to Rhodesia.

(2) That the administration immediately move to end any discrepancy between the administration of U.S. law prohibiting trade with Rhodesia and the intent of the United Nations sanctions resolution.

(3) That the Congress act to pass appropriate laws to prohibit all trade with Rhodesia by U.S. companies including their subsidiaries and arrangements with third parties.

(4) That the Department of the Treasury release its findings on their investigation of Mobil Oil at the earliest possible date.

(5) That the Secretary of State request that the Official Secrets Act of South Africa be waived to allow for a full investigation of Mobil Oil and Caltex by the administration.

(6) That the Congress and the administration join for immediate repeal of the Byrd amendment.

(7) That a resolution be adopted by the Congress to indicate its sense that the United States not recognize the Transkei when South Africa declares it independent.

(8) That all sales by U.S. corporations and their subsidiaries of materials related to possible military use in Namibia be prohibited by U.S. law, and that no U.S. company which recognizes or supports South African control over Namibia should be allowed to operate in South Africa or Namibia.

I will conclude my oral remarks at this time.

[Reverend Schulz's prepared statement follows:]

PREPARED STATEMENT OF REV. LAROLD K. SCHULZ

Mr. Chairman. My name is Larold K. Schulz. I am the Executive Director of the Office for Church in Society of the United Church of Christ. The Office for Church in Society is an instrumentality of the United Church of Christ and is governed by a Directorate of 18 members elected by the General Synod of the United Church of Christ. The United Church of Christ is a Protestant denomination of approximately 1,800,000 members in approximately 6,000 local churches located in communities across the entire United States.

The mandate of the Office for Church in Society contained in the By-Laws of the denomination states that:

"The Office for Church in Society shall study the content of the Gospel in its bearing on people in society, provide and publish information with literature on

social issues, cooperate with instrumentalities of the United Church of Christ and with other appropriate bodies in making the implications of the Gospel effective in society, assist the Executive Council in its coordination function as it pertains to social education and action, and formulate and promate a program of social education and action for the United Church of Christ."

The Office for Church in Society of the United Church of Christ has long been concerned about the human situation in Southern Africa. In October, 1963 the Council for Christian Social Action of the United Church of Christ (predecessor agency of the Office for Church in Society) adopted a statement entitled "American Christians and the Denial of Human Rights in South Africa." A portion of that statement recommended that:

"The Government of the United States place every legitimate economic pressure upon the Republic of South Africa, and especially place an embargo on the shipment of oil, consistent with the United Nations General Assembly recommendation that economic sanctions be applied;" it further urged that "the United States Government take affirmative action within the United Nations to assure the establishment of human rights in South Africa," and it urged "individual members of the United Church of Christ to refrain from buying any goods produced in South Africa, to review the investment of companies in which they own stock" and "urged such companies to withdraw investments in South Africa and promote wider discussion of the problem within churches and communities."

I wish to make it clear, Mr. Chairman, that the United Church of Christ was not an outsider looking on as it developed its policy positions in regard to Southern Africa. The United Church of Christ and the predecessor denominations, which merged to form it, have established and maintained, for more than a century and a half, schools, hospitals and other institutions as part of its mission outreach. (In fact on August 18 the Rhodesian government ordered closed two schools at the United Church of Christ-related Chikore mission. According to a New York times report of the incident, a government spokesman alleged that missionaries at Chikore had been harboring and helping black guerrillas.) Many of the oppressed people in South Africa have been educated in schools established by this denomination. Many of the oppressed people have worshipped in churches established with denominational assistance. Many of the oppressed people have asked for help in cutting off economic lifelines to governments that rob they of dignity and fill their lives with pain and fear. Because we have heard the cry of many oppressed people, we have taken action to respond and stand with them in support.

In July 1965 the General Synod of the United Church of Christ, the representative policy making body of the denomination, recommended the following action:

"That the United States actively support United Nations recommendations for economic sanctions as a remedial action pending changes in Apartheid, and that American corporations be encouraged to make known their opposition to Apartheid in as effective manner as possible."

The General Synod meeting in June 1967 amended that statement to read:

"Whereas the conditions in adjacent countries (Mozambique, Angola, Rhodesia) are equally critical, with arbitrary arrest and imprisonment without charge or trial, the General Synod statement on South Africa, adopted in July, 1965 should be extended to include all of Southern Africa; and further the General Synod charges the boards and agencies of the United Church of Christ to implement this policy with a program of education and action."

In October, 1967 the Council for Christian Social Action recommended that the Executive Council remove their accounts from the First National City Bank of New York as an indication of their protest against the Bank's renewal of a revolving credit arrangement with the government of South Africa. In June, 1968 this resolution was expanded to include the following banks: Chase Manhattan, Manufacturers Hanover Trust, Morgan Guarantee Trust, Chemical Bank New York Trust, Banker's Trust, Bank of America, First National Bank of Chicago, Continental Illinois National Bank and Trust and the Irving Trust.

In February, 1969 the Council for Christian Social Action passed a resolution opposing all forms of colonialism, particularly Portuguese colonialism and it condemned the denial of self-determination, pursuant to United Nations charter, in Angola, Mozambique and Guinea Bissau.

In July, 1969 the General Synod of the United Church of Christ adopted a resolution recommending that all investments and funds be withdrawn from financial institutions doing business with South Africa.

In January, 1970 the Council for Christian Social Action passed a resolution calling on the boards, Conferences, congregations and individual members of the United Church of Christ, holding investments in the Gulf Oil Company, to be present at the shareholder meeting on April 28, 1970 to urge Gulf to withdraw its support of Portuguese colonialism and Gulf's opposition to the Angolan liberation movements fighting for independence. Later in that year the Council for Christian Social Action encouraged members of the United Church of Christ to return their Gulf credit cards to the President of Gulf Oil Company along with a personal letter stating opposition to the Gulf Oil Corporation's continued presence in Angola which was providing "economic, moral, and political support for the Portuguese in their wars against the independence movements in Angola, Mozambique, and Guinea Bissau."

In February, 1971 the Council for Christian Social Action called on the United Church of Christ to take an action which would "press all companies involved in Southern Africa to immediately cease expansion and gradually withdraw from Southern Africa so long as it is under control of white minority rule or colonial domination." The General Synod in that same year took the following action calling on the denomination to:

"Examine the role which United States corporations play in Southern Africa in maintaining the status quo; furthermore, to use various resources, including leverage of investment and stock ownership powers to press companies to develop vigorous policies and practices in employment, compensation, public relations attitudes, and business operations which will challenge repressive and unjust conditions. If the companies' activities appear to strengthen colonial or racist oppression rather than change it, the companies should be pressed to withdraw."

The same resolution also called on the United Church of Christ to work for discouragement of United States tourism to Portugal and to the Republic of South Africa. It urged the United States Government and her NATO allies to refrain from sales of arms to South Africa and Portugal and to end "those military, diplomatic, and economic practices and policies which support minority rule and colonialism."

In 1971 and 1972 the Council for Christian Social Action studied Gulf Oil's involvement in Angola in depth and on the basis of the data which they developed they called on Gulf to withdraw from Angola. The information gathered in this process documents the role which Gulf Oil Corporation played in supporting the white colonial regime over against the liberation movements supported by the majority Black population. The study contained the following statements:

"The argument used by Gulf, that if it withdraws from Angola some other company, or the Portuguese themselves, will carry on the development of oil, does not free Gulf from its present moral and political responsibilities. Every moral injunction of our faith urges acceptance of responsibility for our own actions first. The United States companies, no less individuals, operate in the world under moral imperatives. Therefore, we believe that Gulf's continued presence in Angola, although it creates a few jobs for Blacks and, therefore, added income to a few persons, also has the adverse effect of (1) strengthening a social system and a war machine opposed by the African nationalists whose struggle against Portugal we recognize as rightful and necessary, even as our own revolution; and (2) it prolongs this colonial war through tax contributions. Gulf's presence creates the illusion that meaningful economic development for African people can take place in a colonial situation and in the midst of a racial colonial war. In general we support United States private capital development abroad where it contributes to the overall welfare of the people and benefits the United States economy; but, in this case, we can only conclude that the continued Gulf presence in Angola prolongs the agony of a people tortured by Portuguese colonialism, whose rights to independence must not be obstructed by United States business or official policy."

In 1973 the Ninth General Synod of the United Church of Christ reaffirmed its opposition to governmental and corporate support of the minority regimes of the Republic of South Africa, Rhodesia, Mozambique, Angola and Namibia (an area we will refer to as Southern Africa). The resolution called on members, churches and agencies of the United Church of Christ to "work to halt the purchase of chrome from Rhodesia and to observe full sanctions against the white minority regime." It called on "the National Aeronautics and Space Administration to cancel its contract with the South African Government and transfer its tracking station in South Africa to an independent African country." It called on members of the church to "work for legislation which will deny tax credits to corporations

doing business in Namibia as long as it is illegally occupied by South Africa" and it urged instrumentalities of the United Church of Christ to "use the leverage of their investments and what other strategies are available to press companies investing in Southern Africa, that do not demonstrate action that challenges repressive and unjust conditions, to withdraw from Southern African operations."

The Tenth General Synod meeting in July, 1975 took the following actions. It called on individual members, congregations and agencies of the church to focus their work in relation to three countries still dominated by white supremacist minority rule—Namibia, Zibabwe (Rhodesia) and the Republic of South Africa. It called for opposition to the "existing structures of Apartheid." It decried the false image being projected to the world by the South African government that their creation of "Bantustans" or "independent homelands" for South African Blacks is indicative of progress in South African government which bring about the disintegration of family structure for Black South Africans and maintains their status as impoverished aliens in their own country. It stated a sense of solidarity with the South African and Rhodesian Council of Churches. It indicated our opposition to continuing disinfranchisement as well as social and economic repression of the Black majority and called for continuing work toward self determination. It urged strengthening of U.N. sanctions against Rhodesia, a total arms embargo against South Africa and the release of all political prisoners in Southern Africa. It encouraged corporations to continue their operations in new nations of Southern Africa, but, recognized that most corporations in Southern Africa have placed profit margin above justice and human welfare and that this, at the expense of oppressed people, is immoral. It called on United Church of Christ shareholders, both individual and collectively to use their influence to press United States companies investing in Southern Africa that do not demonstrate actions that challenge repressive and unjust conditions, to withdraw from Southern African operations. It supported legislation denying tax credits to the United States corporations with operations in Namibia as long as it is occupied illegally by South Africa.

We have cited this history and the policy positions of the United Church of Christ to stress our long held commitment to democratic majority rule in Southern Africa. Our interest and concern about South Africa is based on our long involvement in that part of the world as well as our concern for justice, the quality of human life, and the ethical and moral positions of the United States Government and United States based corporations of which we are owners, employees, or consumers of the products produced. The area of expertise which we have as a church, Mr. Chairman, is the application of the moral and ethical principles of our Judeo-Christian heritage to situations of everyday life. In addition our historical involvement and relationship to Southern Africa gives us insight into the economic and political conditions which exist there which are not widely available to most United States citizens.

Because of our historic commitment to justice and freedom in Southern Africa the United Church of Christ and its various agencies have developed a trust relationship with many groups and individuals working for liberation. As a direct result of this in early April of this year, I received an overseas telephone call from a person representing an organization named OKHELA. It was told that OKHELA is an underground organization of white South Africans who support the African National Congress of South Africa (A.N.C.). The caller informed me that OKHELA had obtained some very sensitive information on how Rhodesia obtains its oil requirements. I was told that this information suggested that the South African and Rhodesian subsidiaries of the Mobil Corporation have played a role in arranging the supply of oil products to Rhodesia, seemingly in contravention of United Nations sanctions. This information had apparently been obtained from strategically placed informants who worked in South Africa and Rhodesia and was supported by copies of some critical documents—mostly secret and confidential reports and letters from within Mobil's South African and Rhodesian subsidiaries. OKHELA indicated that they were approaching the Center for Social Action because they were aware of the research and work that the Center has done on Rhodesian sanctions, and I was asked if we would be interested in developing and releasing the material publicly. Around mid-May I receved a package by mail from OKHELA. This contained some twenty of the supposedly Mobil documents plus a detailed memo from OKHELA summarizing the results of its research on how oil gets to Rhodesia. Also included was a brief statement about OKHELA, which reads as follows:

"OKHELA is a clandestine organization of white South African patriots who, as militants, are engaged in providing invisible support to the National Libera-

tion struggle, headed by the African National Congress of South Africa (ANC). This commitment to the ANC's fight against fascist apartheid, settler colonialism and imperialism includes armed struggle.

"The material provided here was gathered by OKHELA during a period of intensive and secret research, with infiltration and intelligence work lasting over a year. The work took place in South Africa, Rhodesia, Mozambique, Britain, the Netherlands and the United States. This is a continuation of an OKHELA program of carrying out clandestine operations both inside and outside South Africa to expose the nature of Western capitalist collaboration with racist minority regimes in Southern Africa."

After studying the information and recognizing its importance we decided to publish it for the following reasons. We have established, and supported for many years, hospitals, schools and institutions committed to the development of Black individuals and institutions in the area of Africa known as Rhodesia. We have had a strong commitment to assisting these persons in developing the capacity for self determination. We have communicated to these persons a sense of justice and hope which are essential themes of our Judeo-Christian heritage. Because of our long commitment to these people and to their freedom we have strongly opposed the Unilateral Declaration of Independence declared by the illegal Ian Smith regime more than a decade ago. We have, as an agency of the United Church of Christ, worked to educate our own constituency about the issues related to conditions in Rhodesia. For a number of years we have attempted to understand how the Smith regime has continued to exist even as sanctions have been applied by almost all countries in the world. Several years ago this agency uncovered and documented apparent volations of sanctions law by a number of travel agencies across the country.

This information was turned over to the Department of the Treasury and to thse Attorney General of the United States. However, neither Department took any action to stop this apparent controvention of Unied Sates law. On another occasion we reported apparent violations by American Express, Avis, Hertz, and Holiday Inns. Again the United States Government did not see fit to take appropriate action to enforce its laws.

Perhaps the biggest mystery about the Rhodesian economy has been how the Smith regime has successfully evaded sanction regulations, and imported its total requirements of petroleum products. Apparently that mystery has now been cleared up by the information which we have received from OKHELA and turned over to the Department of the Treasury.

Five mutinational oil companies have subsidiaries registered in Rhodesia. They are Mobil, Caltex, Shell, British Petroleum and the French company, Total. Before the Unilateral Declaration of Independence they obtained most of their supplies from Rhodesia's oil refinery. When this refinery closed down after the Unilateral Declaration of Independence they were forced to look elsewhere. The only way of obtaining oil products was to import them from South Africa—where the very same oil companies had subsidiaries and, in most cases, refineries.

Better-informed observers of the Rhodesian scene have usually assumed that the oil companies in Rhodesia did indeed obtain their requirements from South Africa; but they had no way of proving this or of discoverng who it was in South Africa that provided the oil products. When queried on this point, the parent companies were unable or unwilling to provide clarification. Mr. Rawleigh Warner, Chairman of Mobile Corporation in a letter written last November stated that after the Unilateral Declaration of Independence, "the Rhodesian Government subjected all petroleum companies operating within the country to a stringent set of controls which required them to secure all of their product requirements solely from a government agency." Unfortunately, he did not name the agency, nor did he explain how this agency obtained the oil products which it then passed on to the oil companies within Rhodesia.

According to the OKHELA documents, the Rhodesian government agency referred to above, is named GENTA, and it masquerades as a private company. Few Rhodesians know of its existence, let alone its role. As Mr. Warner has said, it does sell to Rhodesian oil companies their requirements of fuel products, although it leaves the companies to make their own arrangements for importing non-fuel products such as solvents, greases, etc. Apparently after being told that they must buy their fuel products from GENTA, the oil companies in Rhodesia were then asked to set up procedures whereby GENTA could import the fuel from the sister oil companies in South Africa.

It appears that shortly after the Unilateral Declaration of Independence GENTA asked Mobil (Rhodesia) to make arrangements whereby Mobil (South Africa) would sell to GENTA most or all of Rhodesia's requirements of gasoline, diesel fuel, and Avtur (aviation turbine fuel). GENTA would then resell these fuel imports to all the oil companies in Rhodesia—including Mobil (Rhodesia). Other oil companies were asked to provide other fuel products.

That may seem complicated; but it is only the beginning of the story. It appears that because of sanctions regulations, an elaborate scheme was then devised to make it look as if Mobil (South Africa) was not involved in any trade with Rhodesia. The physical transportation of oil products to Rhodesia from the Mobil refinery in South Africa posed no real problem, since unmarked railway cars were used. The problem lay in the paperwork, because nowhere in Mobil (South Africa)'s accounts department could there be a copy of an invoice billing a Rhodesian company.

Apparently, the scheme that was eventually used consisted of creating what Mobil has called a 'paper-chase'. This paper-chase was a system whereby sales and payments would be passed through various South African companies which acted as intermediaries. Thus Mobil (South Africa) could sell oil products to a South African company, knowing that they would be passed on to other companies, which would eventually sell them to the required recipient in Rhodesia—usually GENTA. If ever Mobil (South Africa) were asked whether they provided oil products for Rhodesia, they could evade the question by stating that they sold only to companies in South Africa, and that they did not know what these companies did with the oil.

Even if a sharp investigator managed to discover that certain Mobil products had found their way to Rhodesia, Mobil was safe—so long as nobody could prove that there was intention on the part of Mobil for the products to reach Rhodesia. To quote one of Mobil's own documents, if intent to supply Rhodesia could be proved, Mobil (South Africa)'s parent company in the U.S.A. might under certain circumstances "be subject to penalties under U.S. law."

It seems that for this reason, the paper-chase was set up in great secrecy. Very few people had knowledge of all the details, or had access to the few Mobil documents in which the overall scheme was described.

(A detailed analysis of the documents and the various "paper-chase" systems which were used, is contained in the report entitled: *The Oil Conspiracy* which is in your possession.)

Some legal background may be helpful. In November, 1965 the United Nations Security Council recommended to its member states that sanctions be imposed against Rhodesia on a voluntary basis. When this proved to be ineffective, the Security Council went on in December, 1966 to impose selective but mandatory sanctions. One of the commodities covered was oil. U.N. Resolution 232 stated:

"The Security Council . . . decides that all States Members of the United Nations shall prevent . . . participation in their territories . . . or by their nationals or vessels of their registration in the supply of oil or oil products in Southern Rhodesia."

In May, 1968 the Security Council extended mandatory sanctions to cover all goods other than certain humanitarian supplies. U.N. Resolution 253 stated:

"The Security Council . . . decides that . . . all States Members of the United Nations shall prevent . . . the sale or supply by their nationals or from their territories of any commodity or products . . . to any person or body in Southern Rhodesia or to any other person or body for the purpose of any business carried on in or operated from Southern Rhodesia, and any activities by their nationals or in their territories which promote or are calculated to promote such sale or supply."

After the passing of these two U.N. resolutions, the United States, together with nearly all other U.N. member nations, incorporated the essential clauses of the sanctions regulations into their own legal statutes. For instance, United States Executive Order 11419, signed by President Lyndon B. Johnson in July, 1968 said in part:

"The following (is) prohibited effective immediately . . . Sale or supply by any person subject to the jurisdiction of the United States, or any other activities by any such person which promote or are calculated to promote the sale or supply, to any person or body in Southern Rhodesia or to any person or body for the purposes of any business carried on in or operated from Southern Rhodesia, of any commodities or products . . . The term 'person' means an individual, partnership, association or other unincorporated body of individuals, or corporation."

Clearly it is illegal for American firms to supply products to Rhodesia; and it is illegal for them to carry out activities which "are calculated to promote the supply" to Rhodesia of such products. This aspect of the law is crucial, because it prevents the sale of products to somebody outside Rhodesia when the intention is that that person will resell them to Rhodesia. Thus any American company which enables or allows its subsidiary to bypass the sanctions regulations is violating the letter and spirit of the U.S. law.

Mobil's interpretation of the law as it applies to them was laid out in a letter from the Chairman of the Board of the Mobil Oil Corporation, Rawleigh Warner Jr., to the Rev. Robert Powell of the National Council of Churches dated November 13, 1975.

"The U.S. government imposed certain prohibitions on transactions by companies like Mobil and its affiliates with Southern Rhodesia which had the effect of prohibiting the Mobil group of companies from engaging outside Rhodesia in any transactions involving goods . . . destined for Rhodesia . . . The management of our International Division has gone to considerable effort to make sure that we have complied fully with the restrictions imposed upon us by the U.S. Government in this connection . . . However, neither Mobil nor its other affiliates engage in any business transactions with (Mobil Rhodesia) and . . . has no control over (its) operations. This applies to Mobil's affiliates in South Africa as well as all other Mobil affiliates."

The law appears to be very clear and comprehensive. However, the detailed Treasury regulations do not seem to include subsidiaries of U.S. corporations not organized under the laws of Rhodesia or having their principal place of business outside Rhodesia. This administrative interpretation of the Executive Order shows a discrepancy between the spirit and the letter of the law which is not found in parallel regulations pertaining to trading with other "enemies" such as Cuba. Economic sanctions against Rhodesia cannot be effectively implemented as long as the administration interprets the Executive Order No. 11419 so as to reject the intent of the law.

Following the Center for Social Action's release of the report which is before you today, Mobil Oil indicated that they were investigating the allegations. On August 27, 1976, in a press release, Mobil Oil reported that their investigation had been unsuccessful due to the fact that all information relating to this matter falls under the South African Government's Official Secrets Act. It is outrageous that a United States company may not investigate one of its subsidiaries or whether its corporate officials are breaking United States law. If it is true that Mobil or its subsidiary is breaking U.S. law and this cannot be determined because of South African government control of pertinent information, then surely this is reason for Mobil Oil to withdraw from South Africa.

The United States, in voting for the United Nations Security Council Resolution No. 253, expressed its concurrence with majority world opinion that international economic sanctions should be implemented against Rhodesia as a means of hastening rule by the majority in that country. In promulgating two Executive Orders dealing with Rhodesian sanctions, President Johnson, on behalf of the United States, publicly and actively expressed U.S. support for this international policy. In April of this year Secretary of State Henry Kissinger said during his speech in Lusaka:

"The United States will take steps to fulfill completely its obligations under international law to (implement) mandatory economic sanctions against Rhodesia."

He further added:

"In parallel with this effort, we will approach other industrial nations to insure the strictest and broadest international compliance with sanctions."

One specific issue relating to sanctions is the repeal of the Byrd Amendment by the U.S. Congress. To date, this administration has not made an effort to encourage the repeal of that law, nor has the Congress taken action to rectify its earlier mistake.

Under the Byrd Amendment, Union Carbide has been the United States' major importer of chrome from Rhodesia. In the past, Union Carbide vigorously lobbied for the passage of the Byrd Amendment and has, through its publications, been a public proponent of the Rhodesian government, implying that the situation in Rhodesia is relatively good for Blacks.

Last year, the United Church of Christ's Board for World Ministries filed a stockholder resolution demanding that Union Carbide cease its importation of Rhodesian chrome. This demand was supported at the shareholder meeting by Senator Gale W. McGee, Congressman Charles C. Diggs, Jr. and by the Organiza-

tion of African Unity's representative in New York as well as by a number of other church groups.

Union Carbide refused to comply with this request even though its importation of Rhodesian chrome had been diminishing because of economic conditions in the U.S. Union Carbide refuses to recognize that virtually every Black leader in Rhodesia has called for an end to the importation of chrome since it directly assists the illegal Smith regime. Church representatives, have on numerous occasions, conveyed to management the demands of Rhodesian Black leaders to stop the importation of Rhodesian chrome. Churches arranged meetings between top Union Carbide management including Chairman Perry Wilson with Bishop Abel Muzerewa and representatives of other liberation movements.

The sole concession that Union Carbide has been willing to make, is that they will not lobby to continue the Byrd Amendment when it again comes before the Congress. By conceding this, Union Carbide makes a defacto admission that Rhodesian chrome is not essential for their own business needs or for the U.S., which has massive stockpiles of chrome.

We hold Union Carbide responsible, as we hold Mobil Oil responsible, for impeding the struggle for independence and majority rule.

But these facts are not surprising in light of the National Security Study Memorandum Number 39, Option 2, which states that the United States should "be more flexible in its attitude towards the Smith regime" and specifically states that the U.S. should gradually "relax sanctions". Furthermore, it is known that Mr. Kissinger has recently indicated that he will take no further actions on sanctions generally or the Byrd Amendment specifically, until he has completed his negotiations in Africa and his negotiations with Prime Minister Vorster of South Africa.

The insincerity of the United States public policy on Rhodesian sanctions has been thoroughly exposed. Why is it that the Administrative regulations on sanctions do not conform to the Executive Order and why is it that the United States never once instigated an investigation of its own oil companies operating in South Africa and Rhodesia when, for ten years, it was widely known that oil was being imported into Rhodesia despite all the international regulations?

The issues in Southern Africa are clear: self determination and majority rule. For many years, United States corporations have claimed that their investment and operations in South Africa provided jobs and wages and served as pressure for change. They have claimed that economic withdrawal would hurt the workers more than the government and have therefore rejected the concept of withdrawal on the basis of what is good for the people.

Today the workers are striking and the school children are rebelling in the streets. The workers are taking it upon themselves to apply the tactic of economic sanction or withdrawal against the government—does this not indicate that the people support this method of change? If our Government and corporations are sincerely in support of self determination in South Africa, then would it not be appropriate to reinforce the efforts of the workers by withdrawing from South Africa? South African workers and children are being shot and killed for their efforts to achieve self determination for their people—our corporations would not suffer the same consequences.

Mr. Chairman, in the letter inviting me to testify before this Committee, I was asked to comment on church concern about U.S. corporate investments in the "bantustans," in border areas and in Namibia.

Investment in the "bantustans" is a new form of investment in South Africa. It has been proposed as a way of supporting eventual independence and self-determination of the African people of South Africa and as a means of overcoming the criticism that aid to the South African economy is support for racial oppression and exploitation.

The "bantustans" are a creation of the South African white minority government, the purpose of which is the maintenance of white domination. Economically, the "bantustans" provide a source of cheap labor; politically, they are used to destroy the national unity of the Black population, and internationally, they provide an image necessary to justify continued support for Apartheid.

The South African government has set up an intensive program to encourage investment in the "bantustans" by offering "problem free labor resources," tax concessions, low-interest loans, etc.

The Center for Social Action was involved in a campaign involving the Canadian company, Alcan. Alcan was beginning a joint mining venture with Foote Mineral Company in a border area in South Africa. The Center for Social Action

argued against that venture and Center for Social Action representatives attended the Foote and Alcan shareholder meetings to speak against it.

In the past few months, nearly all the Black leaders in South Africa have joined together in comdemning the "bantustan" system. I quote from a *New York Times* article of August 22, 1976 which published a series of appeals to the South African government from these leaders: "The leaders here assembled, excluding representatives of Bophuthatswana and the Transkei, wish to reiterate that they have no intention whatsoever of opting for so-called independence, as we do not want to abdicate our birthright as South Africans, as well as forfeiting our share of the economy and wealth, which we have jointly built."

The entire "bantustan" system is merely a fraud neither chosen nor desired by even the "bantustan" leaders themselves. To invest in the "bantustans" is a legitimation of a fraudulent system.

The independence of the Transkei "bantusan" is scheduled for the end of October this year. At that time the United States will be in the position of deciding whether or not to recognize the Transkei as an independent country. To recognize a "bantustan' as being independent is to recognize the Apartheid system as being legitimate. Non-political and non-diplomatic recognition of the "bantustans" should logically be followed by non-economic recognition.

I would like to take this opportunity to bring to your attention the fact that Union Carbide is a partner is a new $50 million ferrochrome plant being built in one of the border areas in South Africa. They are in partnership with a South African firm which will undoubtedly enforce racist policies.

During the last few years, the United Church of Christ, along with other church organizations, has been examining the questions of investment in Namibia. The United Church of Christ Board for World Ministries was involved in negotiations with the three oil companies, Getty, Phillips and Texaco, which withdrew from Namibia.

Investment in Namibia only serves to strengthen South Africa's illegal occupation of that territory. The U.S. Government is supposedly discouraging investment in Namibia at this time. One issue which has been inadequately discussed in sales to Namibia. Companies operating in South Africa tend to treat Namibia as part of their South African operation thereby providing support for South Africa's occupation of Namibia. This is in defiance of the United Nations, the International Court of Justice and U.S. government policy.

The implications are even more serious however: United States companies are supplying certain strategic products from South Africa to Namibia. For example, IBM can sell computers in Namibia, as it does in South Africa, so that South Africa may use IBM computers to enforce its pass law system in Namibia. The same principle applies to military equipment. For example, Ford and General Motors sell trucks to the South African Defense force which are used in Namibia by South Africa to maintain its control over Namibia. There is no criteria to determine which sales to Namibia by U.S. companies in South Africa are legal or illegal.

Mr. Chairman, we have taken the opportunity of these hearings to present to you a broad spectrum of information regarding our interest in justice and self-determination for all the people of Southern Africa. We wish to make it as clear as possible that we view present U.S. governmental policy and the role of the U.S. business in Southern Africa not to be in the best interests of justice and self-determination for the majority populations of these countries. We want to review for you our positions regarding issues of interest to this Committee.

(1) We are opposed to the operation of any United States business, or subsidiary, in Namibia, the Republic of South Africa or Rhodesia. Our analysis shows that present investment by corporations in those countries supports the control of the white minority over the Black majority. Even in situations where the policies of United States corporations have been more "enlightened" than those of other corporations, our data shows that conditions of repression and near servitude continue. For example, pay raises for Black workers by some United States corporations have been accompanied by equal percentage raises for white workers and the effect has been to widen the comparative wage gap rather than equalize income.

(2) We are committed to independence and self-determination for Namibia. We are opposed to any economic trade or development which would strengthen the South African government in that territory. (In this we concur completely with the International Court of Justice ruling that states should not encourage

any economic relaionships with Namibia which strengthen South Africa's economic and political control of that country.) We are absolutely opposed to tax credits for any U.S. corporation doing business in Namibia until that country is independent and has initiated its own development processes.

(3) We oppose Apartheid in any form and therefore are absolutely opposed to "separate development." We, therefore, oppose any recognition of, or investment in, the "bantustan" or "homeland" areas. We are especially concerned that no U.S. company invest in a "border area" where it will continue to exploit the Black work force while enhancing its own profits and providing continued support for the racist government of South Africa.

(4) As indicated before, we are opposed to any trade with Rhodesia and believe that the spirit of the United Nations resolution regarding sanctions should be honored by the letter of the law. If present United States law (the Executive Orders) is not adequate to prohibit any type of trade by United States corporations, including their subsidiaries, with Rhodesia then the law must be strengthened to make such trade illegal and to provide penalties for contravention strong enough so that it is not profiable for companies to violate the law.

(5) We are appalled by the failure of the Congress to repeal the Byrd Amendment and by the refusal of the Administration to actively work for an end of importation of chrome from Rhodesia.

(6) We are distressed by the support given the military in Rhodesia and South Africa through sales by U.S. corporations and thier subsidiaries of weapons, petroleum products, computers, and technical information. It must be pointed out that support of that arm of the government which makes possible minority rule involves these companies explicitly in maintaining the repressive and unjust conditions which exist in these countries.

(7) Finally, Mr. Chairman, we are outraged by the failure of the Director of the Foreign Assets Control of the Department of the Treasury, Mr. Stanley L. Sommerfield to follow through with the Center for Social Action in relation to our efforts to provide information in relation to apparent violations of United States regulations regarding sanctions against Rhodesia. In no case has Mr. Sommerfield requested assistance or has he asked us for additional information. In fact, he has never directly contacted our office even though we have furnished his office with information regarding apparent violations by travel agents, companies involved in tourism, and most recently oil companies.

In fact, when we released the documents related to the "Oil Conspiracy" on June 21, 1976 we hand delivered the materials to Mr. Sommerfield's office and indicated that we had the documents in our safe including some which were not available in the report. We offered our assistance in the investigation and complete access to our files. To date no one from Mr. Sommerfield's office has been in touch with us.

We also called on other agencies of the Government to investigate the documentation which we have supplied and again there has been absolutely no response. Since we believe it is the responsibility of the Government to see that the laws are enforced we charge the Administration with negligence and we call on the appropriate officials to insure enforcement of the law.

RECOMMENDATIONS

(1) That the Congress immediately undertake investigation of United States oil companies located in South Africa to insure that these companies are not supplying any petroleum products directly or indirectly through other South African companies, to Rhodesia.

(2) That the Administration immediately move to end any discrepancy between the Administration of United States law prohibiting trade with Rhodesia and the intent of the United Nations sanctions resolution.

(3) That the Congress act to pass appropriate laws to prohibit all trade with Rhodesia by United States companies including their subsidiaries and arrangements with third parties.

(4) That the Department of the Treasury release its findings on their investigation of Mobil Oil at the earliest possible date.

(5) That the Secretary of State request that the Official Secrets Act of South Africa be waived to allow for a full investigation of Mobil Oil and Caltex by the Administration.

(6) That the Congress and the Administration join for immediate repeal of the Byrd Amendment.

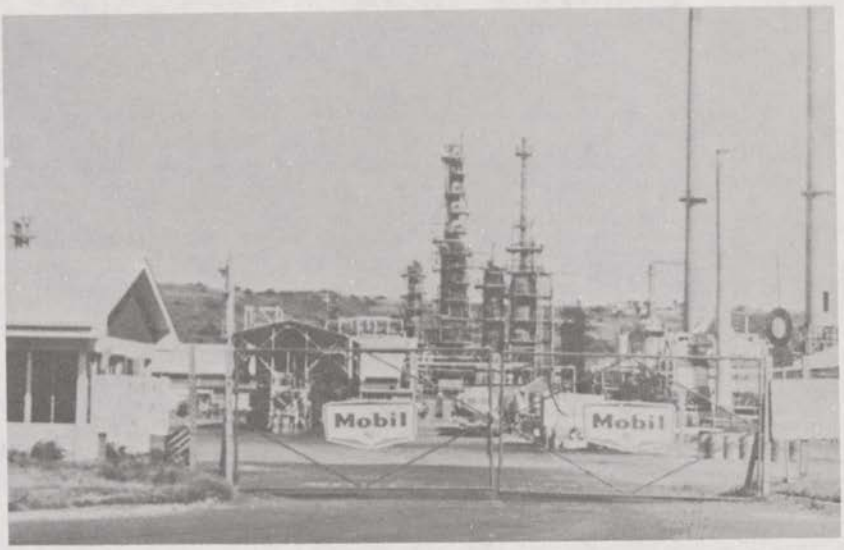
(7) That a resolution be adopted by the Congress to indicate its sense that the United States not recognize the Transkei when South Africa declares it independent.

(8) That all sales by U.S. corporations and their subsidiaries of materials related to possible military use in Namibia be prohibited by U.S. law, and that no U.S. company which recognizes or supports South African control over Namibia should be allowed to operate in South Africa or Namibia.

Thank you for your attention.

THE OIL CONSPIRACY

An investigation into how multinational oil companies provide Rhodesia's oil needs



The entrance to the Mobil Refinery near Durban, South Africa

Center for Social Action of the United Church of Christ

80-160 O - 77 - 20

This report is based on information and documents which were passed to the Center for Social Action of the United Church of Christ by an organization called OKHELA. Enclosed with the material was a statement which reads as follows:

> "OKHELA is a clandestine organization of white South African patriots who, as militants, are engaged in providing invisible support to the National Liberation struggle, headed by the African National Congress of South Africa (ANC). This commitment to the ANC's fight against fascist apartheid, settler colonialism and imperialism includes armed struggle."
> "The material provided here was gathered by OKHELA during a period of intensive and secret research, with infiltration and intelligence work lasting over a year. The work took place in South Africa, Rhodesia, Mozambique, Britain, the Netherlands and the United States. This is a continuation of an OKHELA program of carrying out clandestine operations both inside and outside South Africa to expose the nature of Western capitalist collaboration with racist minority regimes in Southern Africa."

The Center for Social Action of the United Church of Christ (CSA) was approached by OKHELA to write and publish this report because of the Center's earlier research and activity on the issue of Rhodesian sanctions. Prior to the publication of this report, the CSA exposed the illegal sanctions-breaking activities in which the New York office of Air Rhodesia was engaged. That revelation culminated in the closing down of Air Rhodesia's New York office. The CSA further launched a nationwide campaign aimed at travel agencies that were promoting American tourism to Rhodesia.

June 21, 1976

Additional copies of this report can be obtained from:

The Center for Social Action
8th Floor
297 Park Avenue South
New York, New York 10010
United States of America

Price: $1.00 plus postage.

(Special rates for bulk orders.)

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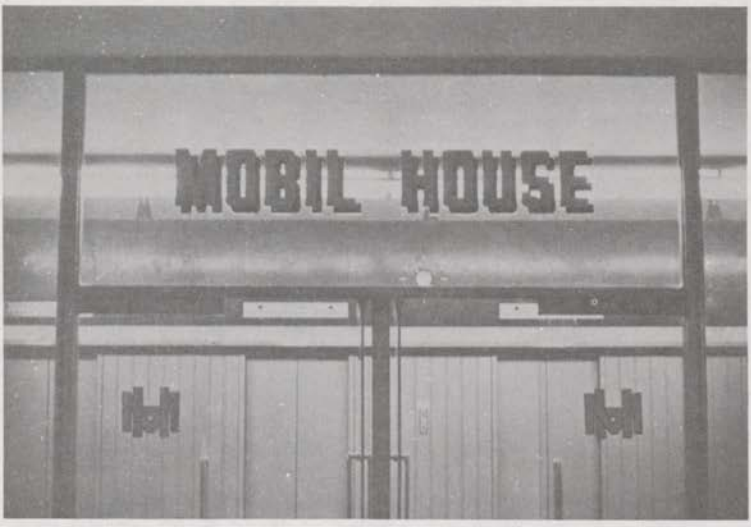
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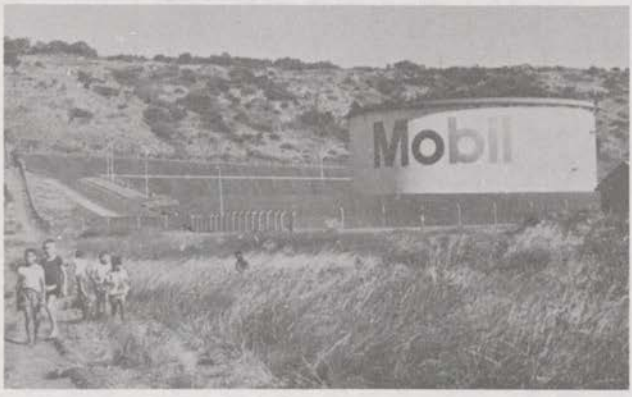
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The entrance to Mobil's Johannesburg Office



A storage tank near Mobil's Durban Refinery

Chapter 1

SUMMARY

In 1973, Americans learned during the Arab oil embargo, just what a shortage of petroleum could do to their livelihood. Supposedly a much more serious trade embargo has been in force against Rhodesia's white minority regime for the past decade. But petroleum shipments to Rhodesia have continued almost without disruption, in spite of the mandatory United Nations sanctions which are aimed at achieving majority rule.

Today, the tiny white population of Rhodesia hangs onto power with a tenacity few could have foreseen. But no amount of determination by them could have kept their economy and military machine operating if they had not received a steady flow of oil supplies.

This report reveals—for the first time—how oil seems to be getting through and keeping white rule alive in Rhodesia. The Center for Social Action of the United Church of Christ has obtained a series of revealing secret documents, which appear to show that Mobil Oil Corporation's subsidiary in South Africa and its subsidiary in Rhodesia have jointly helped to plan and implement a decade-long campaign to provide Rhodesia's oil needs.

Mobil has repeatedly denied any sanctions-breaking activity. Mobil's Chairman, Rawleigh Warner, Jr. has said that since U.S. law forbids Mobil and its affiliates from engaging in any transactions involving goods destined for Rhodesia, "the management of Mobil's International Division has gone to considerable effort to make sure that we have complied fully with the restrictions imposed upon us by the U.S. government in this connection."

Yet it would appear that if he consulted with his International Division Executive Vice President, who is also a director of Mobil (South Africa), he might learn what is explained in this report—namely, that a highly sophisticated scheme seems to have been operated by Mobil (South Africa) for ten years, whereby the latter has sold oil products to Rhodesia through an agreed chain of intermediary South African companies, most of which are in fact bogus. These products were ultimately retailed by oil companies within Rhodesia, including Mobil's Rhodesian subsidiary. The intention of the scheme seems to have been to allow oil products to get through this chain without the eventual destination being discovered by outside observers. But even if the destination were discovered, *the scheme also seems to have been constructed to conceal from all but the most diligent researcher, that Mobil (South Africa) had any intention of selling goods which were bound for Rhodesia.*

We believe that the documents presented herewith and other relevant evidence tends to establish at least on a *prima facie* basis that:

- Mobil (Rhodesia) was asked in the mid-sixties by a secret Rhodesian government agency called Genta to set up a 'paper-chase' of intermediary companies, through which Genta could import all of Rhodesia's gasoline and diesel requirements from Mobil (South Africa);
- Other oil companies in South Africa—Shell, B.P., Total and Caltex—have set up similar procedures to get other oil products to Rhodesia;
- A confidential memorandum within Mobil (Rhodesia) stated:

  "When orders for lubricants and solvents are placed on our South African associates [i.e. Mobil (South Africa)], a carefully planned 'paper-chase' is used to disguise the final destination of these products. This is necessary in order to make sure that there is no link between MOSA [Mobil (South Africa)] and MOSR's [Mobil (Rhodesia)'s] supplies. . .

  "This 'paper-chase' which costs very little to administer, is done primarily to hide the fact that MOSA is in fact supplying MOSR with product in contravention of U.S. Sanctions Regulations. . ."

Chapter 2

INTRODUCTION

2.1 HISTORICAL BACKGROUND

Rhodesia is ruled by one of the two remaining white minority regimes in southern Africa. Britain began its colonial rule of Rhodesia between the years 1889 and 1896 through treachery and with the aid of its troops stationed in South Africa. This was the first step in an attempt to realize the dream of Cecil John Rhodes—a dream of "British soil from Cape to Cairo." Political decisions were made within Rhodesia by a totally white electorate as the franchise was restricted by financial qualification requirements, the intention being to exclude African participation. Although Britain maintained constitutional authority, it never exercised its power to veto discriminatory legislation.

In 1963 Rhodesian whites began to agitate for independence from Britain. In the negotiations, Britain's condition for the granting of full independence was the guaranteeing of basic African rights. This was unacceptable to white Rhodesia. In 1964 Ian Smith became the Prime Minister and immediately began making preparations for a unilateral declaration of independence from Britain. Following the breakdown of talks with Britain, the Smith regime declared Rhodesia independent on November 11, 1965. On March 1, 1970, Rhodesia proclaimed itself a Republic and announced an election on a new constitution in which less than one percent of the total population (95 percent African) was permitted to vote.

2.2 SANCTIONS

When white Rhodesians declared unilateral declaration of independence (UDI), they did so with almost no diplomatic support. But economically they were not left stranded. In the months before UDI, the government and foreign-owned industry made preparations for the expected international sanctions. Mining companies like Union Carbide transferred large mineral stockpiles to ports in territories neighboring Rhodesia, where country-of-origin would be more difficult for sanctions enforcers to determine. Tobacco stockpiles, too, were set up by the regime to cushion white farmers from severe financial losses. With no sea coast and no oil wells, the Smith government facing UDI saw oil as its weakest link.

Britain's punitive measure in response to UDI was the imposition of economic sanctions. Initially these were implemented slowly, voluntarily and selectively. Under much pressure Britain eventually called a meeting of the United Nations Security Council in December 1966, and agreed to the imposition of mandatory sanctions, which were confined to oil, asbestos, iron, chrome, sugar, tobacco, copper, meat, hides and skins. As selective sanctions proved difficult to implement, the Afro-Asian states decided in April 1968 to call for comprehensive sanctions, which covered items such as travel, finances and arms. Britain conceded and Security Council Resolution No. 253 was passed, making it illegal for any United Nations member-country to trade or have any financial transactions with Rhodesia. Only Portugal and South Africa refused to abide by this decision.

The United States voted in the U.N. Security Council to support economic sanctions against Rhodesia, and furthermore the President promulgated two Executive Orders, numbers 11322 and 11419, prohibiting the trade of any commodities or products with Rhodesia by any person or company subject to the jurisdiction of the United States.

2.3 WESTERN AMBIVALENCE OVER SANCTIONS

Britain, which initiated economic sanctions against Rhodesia, did so not only ambivalently but primarily to "save face" with the Afro-Asian nations. Prime Minister Wilson went so far as to inform Smith of the kind of sanctions Britain would apply, singling out oil and tobacco, in the event of a UDI. As a result, when UDI was declared, Smith was well prepared for sanctions, while Britain had neither a plan of implementation nor a method of enforcement. Having a favorable balance of trade with, and the largest investment in, South Africa and realizing that South Africa would go to the aid of white Rhodesia, Britain was afraid of disturbing its relations with South Africa. Britain therefore stalled pressures for comprehensive mandatory sanctions for three years, during which time Smith was able to diversify and consolidate the Rhodesian economy and find new trading partners.

Britain and other Western countries have another reason for their ambivalence on sanctions. Should sanctions prove effective in the case of Rhodesia, a precedent would be set for bringing sanctions against South Africa. If that situation were to materialize, the huge financial investments that the USA, Britain, West Germany, France and others have in South Africa would suffer.

Using the United States as a case study on how sanctions have been evaded, we see the following:

- In the secret National Security Study Memorandum No. 39 (which was subsequently leaked), option 2, which was later adopted, was for the U.S. to "gradually relax sanctions" against Rhodesia;

- Union Carbide, which has enormous economic interests in Rhodesia, put much effort and money into changing the U.S. law, in order to exempt chrome from the sanctions regulations under the guise of its being a strategic mineral;

- The Center for Social Action of the United Church of Christ disclosed the sanctions-breaking activities of the Air Rhodesia office in New York, of other travel-related companies such as Hertz and Holiday Inn, and of hundreds of travel agencies that were setting up tours to Rhodesia in violation of U.N. sanctions regulations. This information was given to the State Department, the Treasury, the Commerce Department and the Federal Aviation Agency, but it was virtually ignored and certainly no prosecutions were made;

- Rhodesia has been able to recruit mercenaries in the U.S.

2.4 IMPLICATIONS FOR THE U.S. GOVERNMENT

This report provides the most important single revelation of apparent sanctions-breaking to have been made in the ten years since UDI. It provides highly detailed information on how Rhodesia appears to have been importing the *one* commodity it cannot do without and cannot obtain within its own borders, namely oil, through the cooperative activities of Rhodesian and South African subsidiaries of oil companies whose head offices are in France, Britain, the Netherlands and the United States.

The evidence produced in this report tends to demonstrate that Mobil, an American-based company, may have played a more central role than any other company in enabling Rhodesia to obtain the oil products it needs, so that its economy and its armed forces can continue to function. The Center for Social Action demands an investigation by the U.S. Administration and the Congress to see whether Mobil is guilty of breaking U.N. sanctions and U.S. law.

Secretary of State Kissinger said during his speech in Zambia on April 27, 1976:

> **"The United States will take steps to fulfill completely its obligations under international law to [implement] mandatory economic sanctions against Rhodesia."**

He went on to add:

> "In parallel with this effort, we will approach other industrial nations to insure the strictest and broadest international compliance with sanctions."

It was generally understood that this latter reference alluded not only to Western European nations but also to South Africa, and presumably this is one item that will be on the agenda in the meeting between Kissinger and Vorster in West Germany on June 23 and 24, 1976.

The Center for Social Action of the United Church of Christ, in publishing this report which highlights the role of Mobil's subsidiaries in assisting the Smith regime in Rhodesia to continue functioning, calls on the American administration:

- **to stand by the words of its own Secretary of State;**
- **To implement U.S. law; to carefully examine the documentary and factual evidence presented herewith; and to seek further evidence with a view to prosecuting Mobil Oil Corporation, and any Mobil directors and executives in so far as they have engaged in illegal sanctions-breaking activities;**
- **To press the South African government to prevent South African subsidiaries of American, British, Dutch and French oil companies from arranging the provision of Rhodesia's oil requirements.**

Chapter 3

THE BACKGROUND ON OIL

3.1 THE LEGAL BACKGROUND

In November 1965, the United Nations Security Council recommended to its member states that sanctions be imposed against Rhodesia on a voluntary basis. When this proved to be ineffective, the Security Council went on in December 1966 to impose selective but mandatory sanctions. One of the commodities covered was oil. U.N. Resolution 232 stated:

> "The Security Council . . . decides that *all States* Members of the United Nations *shall prevent . . . participation* in their territories . . . or by their nationals or vessels of their registration *in the supply of oil or oil products in Southern Rhodesia.*"
>
> (Our italics. Rhodesia is still sometimes referred to as Southern Rhodesia.)

In May 1968 the Security Council extended mandatory sanctions to cover all goods other than certain humanitarian supplies. U.N. Resolution 253 stated:

> "The Security Council . . . decides that . . . all States Members of the United Nations shall prevent . . . the sale or supply by their nationals or from their territories of any commodities or products . . . to any person or body in Southern Rhodesia or to any other person or body for the purpose of any business carried on in or operated from Southern Rhodesia, and any activities by their nationals or in their territories which promote or are calculated to promote such sale or supply."

After the passing of these two U.N. resolutions, the United States, together with nearly all other U.N. member nations, incorporated the essential clauses of the sanctions regulations into their own legal statutes. For instance, United States Executive Order 11419, signed by President Johnson in July 1968, said in part:

> "The following [is] prohibited effective immediately . . . : Sale or supply by any person subject to the jurisdiction of the United States, or any other activities by any such person which promote or are calculated to promote the sale or supply, to any person or body in Southern Rhodesia or to any person or body for the purposes of any business carried on in or operated from Southern Rhodesia, of any commodities or products. . . . The term "person" means an individual, partnership, association or other unincorporated body of individuals, or corporation."

Clearly it is illegal for American firms to supply products to Rhodesia; *and* it is illegal for them to carry out activities which "are calculated to promote the supply" to Rhodesia of such products. This aspect of the law is crucial, because it prevents the sale of products to somebody *outside* Rhodesia when the intention is that that person will resell them *to* Rhodesia. Thus any American company

which enables or allows its subsidiary in Rhodesia to bypass the sanctions regulations is violating the letter and spirit of the U.S. law. (Further details and interpretation of the sanctions regulations can be found in Chapter 9.)

In October 1975, Rev. Robert Powell of the National Council of Churches of Christ and chairperson of the I.C.C.R.'s Southern Africa project, wrote to Rawleigh Warner Jr., Chairman of the Board of the Mobil Oil Corporation, asking various questions about the role of Mobil in Southern Africa, with particular reference to the supply of oil products to Rhodesia. On November 13, 1975, Mr. Warner replied:

- "[After UDI in 1965] the U.S. government imposed certain prohibitions on transactions by companies like Mobil *and its affiliates with Southern Rhodesia which had the effect of prohibiting the Mobil group of companies from engaging outside Rhodesia in any transactions involving goods . . . destined for Rhodesia. . . . The management of our International Division has gone to considerable effort to make sure that we have complied fully with the restrictions imposed upon us by the U.S. Government in this connection.*"

- "neither Mobil *nor its other affiliates* engage in any business transactions with [Mobil Rhodesia] and . . . has no control over [its] operations. *This applies to Mobil's affiliates in South Africa* as well as all other Mobil affiliates."
(Our italics. The letter is shown in full in the Appendix.)

From the evidence produced in this report, we believe it is fair to deduce that the statements made above by Mobil's Chairman are not in fact correct. Indeed, far from obeying U.N. regulations and the laws of their respective countries, Mobil, Caltex, Shell, British Petroleum and Total appear to have been engaged for the last ten years in arranging the supply to Rhodesia of virtually all its requirements of fuel and other oil products.

3.2 RHODESIA'S OIL NEEDS

Crude oil, when it emerges from the ground, is a black, sticky and uninteresting-looking liquid. But its properties are remarkable. It can be refined into a large variety of oil derivatives (collectively known in the oil trade as "product" or "products"). These include **fuels**, such as:

- premium gasoline
- regular gasoline
- diesel fuel (also known as gas oil and as A.D.O.—Automotive Diesel Oil)
- power kerosine
- illuminating kerosine
- liquified petroleum gas (such as Butane and Propane, and generally known as L.P.G.)
- Avtur (aviation turbine fuel)
- Avgas (aviation gasoline)

Also, there are what we will call **non-fuel oil products**, namely:

- lubricants
- greases
- waxes
- solvents
- bitumens
- asphalts
- plus various other specialized products.

Oil products are needed not only for fueling vehicles, but also for everything from bonding soles onto shoes to surfacing the roads along which the shoes will walk. Every country needs oil products if its economy is not to collapse. Rhodesia is no exception.

Shortly before UDI, a pipeline to carry crude oil was built from Beira on the Mozambican coast (see map on inside rear cover) to Umtali in Rhodesia. At Umtali an oil refinery was built by a consortium in which the principal partners were Mobil, Caltex, Total, Shell and B.P.; these were the five foreign oil companies marketing oil products in Rhodesia. This refinery could produce virtually all the oil products that Rhodesia needed. However, after the imposition of voluntary sanctions in November 1965, the refinery was starved of crude oil.

In the spring of 1966, the Smith regime attempted to get around sanctions regulations by arranging through intermediaries for an oil tanker, the Joanna V, to be purchased while on the high seas. It then sailed to Beira with its cargo of some 400,000 tons of crude oil, which would be enough to provide Rhodesia's oil needs for about a year. After intensive diplomatic activity, the Joanna V was prevented from unloading its cargo and Britain was empowered by the United Nations to use force to prevent other tankers from bringing crude oil to Beira. Britain's naval blockade of Beira continued until 1976, when the newly independent Mozambique declared that it would enforce sanctions. (Before independence, Mozambique had been a Portuguese colony, and Portugal under Salazar and Caetano had refused to implement sanctions.)

Unfortunately for Rhodesia, there was no refinery at Beira, so it was clear that if any crude oil came to Beira it must be intended for the Rhodesian refinery at the other end of the Beira pipeline. Since early 1966, the pipeline has not been used and the Rhodesian refinery has fallen into disrepair. The oil left in the pipeline—some 14,000 tons of it—has lain dormant, and there has even been a dispute as to who owns it.

Many thought that this represented the beginning of the end of Rhodesia. It was impossible to import crude oil, and the only alternative was to import a whole range of different oil products over lengthy land routes. This would not only be expensive, but it would also involve evading sanctions regulations for the importation of each product.

However, to the consternation of those who maintained that sanctions regulations would finish the Smith regime "within weeks, not months", it became clear from the reports of visitors to Rhodesia that oil products were still arriving from somewhere. Gas stations operated by the Rhodesian subsidiaries of Mobil, Caltex, Shell, B.P. and Total continued selling their usual range of products. The most that the oil companies in Rhodesia would say was that they bought their products from a government agency within Rhodesia; yet their parent companies outside Rhodesia denied supplying Rhodesia and said that their Rhodesian subsidiaries were beyond their control, now being answerable to the Rhodesian government.

The great unanswered question hanging over the sanctions policy of the last ten years has been: how does Rhodesia get its oil products?

Thanks to information and documents supplied by OKHELA, the Center for Social Action of the United Church of Christ believes it is now possible to construct a description in considerable detail of how Rhodesia seems to have obtained its oil products since UDI, and how the international oil companies—especially Mobil—have played what appears to be the central role in arranging for the provision of these products.

Chapter 4

HOW OIL SANCTIONS HAVE BEEN EVADED

The documents that OKHELA has supplied to the Center for Social Action (CSA) appear for the most part to be confidential Mobil reports, plus letters to and from Mobil (Rhodesia) and Mobil (South Africa). Many of these are highly complex and use technical terminology. The documents themselves are shown and explained in Chapter 5 and the Appendix.

Throughout the rest of this report, any information that is provided comes from three sources:

- the documents provided by OKHELA;
- further information that was provided to CSA by OKHELA, and which is based on their own investigations. According to OKHELA, this information was mostly obtained from strategically-placed sources in South Africa and Rhodesia;
- occasional press reports.

It should be understood that the following account contains allegations which we believe should be scrutinized most carefully by the relevant authorities. Because much of the evidence comes from sources which cannot be publicly revealed or named, the Center for Social Action does not claim that all of what follows is provable in a court. What it does say is that the allegations made in OKHELA'S report require a most careful and thorough investigation so that the facts may be laid open to public scrutiny. If laws have been violated, prosecutions should follow.

4.1 EARLY METHODS

The oil companies in Rhodesia were nervous immediately after UDI, and told the government that because of sanctions regulations they would be unable to import oil products. But then it became clear that so long as two of Rhodesia's neighbors, South Africa and Mozambique, were prepared to help or to turn a blind eye, ways could be found of evading sanctions without the role of the oil companies being detected.

Very rough and ready methods were used at first, making use of hastily commandeered road transport. On February 5, 1966, after an intensive surveillance of the South African-Rhodesian border at Beit Bridge, the *Rand Daily Mail* reported that three to four vehicles per day were crossing the border with fuel supplies for Rhodesia. A photograph of a Rhodesian fuel tanker was published; just visible through a thin coat of grey paint was a large "P" —part of the "B.P." insignia of the British Petroleum Company, in which the British government holds a controlling interest.

Soon Shell joined in, then the other oil companies. More and more trucks were crossing the border, carrying fuel to Rhodesia from the various South African refineries. The ownership and origins of the trucks were secret, but by February 16, according to the *Rand Daily Mail*, 35,000 gallons of fuel were crossing the border each day; and the same amount was coming in from Mozambique. The British government casually dismissed reports that Rhodesia was obtaining nearly enough fuel to satisfy its needs, by saying that these were wild exaggerations and "very clearly highly coloured." (See *U.D.I.*, by Robert C. Good, published by Faber and Faber, London, 1973.)

The disadvantage to the oil companies of using road transport was that it was expensive and somewhat unreliable. Rail transport avoided those problems to a fair degree; but the rail systems of both South Africa and Portuguese-ruled Mozambique were government-controlled. The two governments concerned were prepared to condone the freelance activities of the road transport companies that the oil companies were using; but politically it was a rather more provocative act to allow their own railway systems to be used. There was always the possibility that Britain would suggest that UN sanctions (at least on vital commodities like oil) be extended to apply to South Africa, and Portugal if they helped Rhodesia too blatantly. But Britain, mindful of its extensive investments in, and trade with South Africa, did no such thing. So the oil companies obtained permission to transfer the transportation of fuel from road to rail. At that time the Beit Bridge rail link from South Africa to Rhodesia had not been built. This meant that the most economical route for oil involved going from the South African refineries to Lourenco Marques (Mozambique) by ship or rail, and then by rail from Lourenco Marques to Rhodesia. No public acknowledgment of this was made; but, however much one attempts to conceal its ownership and destination, it is hard to disguise the presence of a trainload of oil wagons. By mid-1967, the British Granada TV estimated from its own observations that about 140,000 gallons of fuel per day was going by rail to Rhodesia via Mozambique.

4.2 GENTA

Once the immediate crisis was over, it became necessary to rationalize the whole business of oil importation, both to ensure its security and to improve long-term planning. By now the Rhodesian government had set up a secret agency called **GENTA**. Ostensibly a private company, it is obscurely listed in the Rhodesian telephone book as "Genta (Pvt.) Limited," with an address in central Salisbury. In fact, it is 100 percent owned by the Rhodesian government, and its chairman (George Atmore) and operations manager (D. Airey) were previously civil servants in the Ministry of Commerce and Industry. Few people in Rhodesia know of Genta's existence, let alone its role.

Genta's actual role since its establishment has been twofold: firstly, it serves as a front, to act on behalf of the government; secondly, it exerts a tight control over the importation into Rhodesia of the principal oil products and over the activities of the Rhodesian subsidiaries of the various oil companies. Indeed, it was Genta which arrang-

ed the purchasing of the oil tanker Joanna V, mentioned earlier.

Genta's first significant act was to tell the oil companies that it would be responsible for the importation into Rhodesia of all **fuel** products. It would then sell these to the oil companies within Rhodesia for subsequent marketing at their respective gas stations. But for **non-fuel** oil products, such as lubricants, the oil companies would have to arrange their own importation.

Rhodesia is a land of secrets. Its strict Official Secrets Act makes any talk about the oil industry illegal. The photographer who took the pictures of Rhodesian oil installations shown in Chapter 7 would be subject to heavy penalties if apprehended; and several well-known persons, including two accused of working for the C.I.A., have been jailed for probing the country's sanctions secrets.

However, some things are obviously more secret than others. And one of the biggest secrets of all is that having been told that they must buy their fuel products from Genta, the *oil companies* in Rhodesia were then asked to set up procedures whereby Genta could import the fuel from their sister companies in South Africa.

4.3 MOBIL

An equally remarkable secret is that the task of arranging the importation of most of Rhodesia's gasoline (both premium and regular) *and* diesel *and* Avtur was apparently allocated by Genta to one company—Mobil. Other companies were allocated the task of importing Rhodesia's requirements of the other fuels—for instance, Shell imported the Avgas 100/130.

Before explaining Mobil's role in providing Rhodesia's fuel needs, it is necessary to provide a little information on some of the companies and subsidiaries involved.

The Mobil Oil Corporation—which we will call Mobil (USA)—is the world's eighth largest company, with assets and annual sales both valued at around $9 billion. It is a U.S.-registered company, but it has subsidiaries registered in dozens of other countries. Its two principal subsidiaries in South Africa, both wholly-owned, are:

a) Mobil Oil Southern Africa (Proprietary) Limited, which we will refer to as Mobil (South Africa), and which internal Mobil documents refer to as MOSA; and

b) The Mobil Refining Company Southern Africa (Proprietary) Limited, which we will refer to as 'the' Mobil Refinery (because it runs Mobil's only refinery in the southern half of Africa, at Durban in South Africa), and which internal Mobil documents refer to as 'Moref'.

Mobil's principal subsidiary in Rhodesia, also wholly-owned, is Mobil Oil Southern Rhodesia (Private) Limited. We will refer to this as Mobil (Rhodesia), and internal Mobil documents refer to it as MOSR.

[When the context is obvious, the word "Mobil" is sometimes used within this report to refer to Mobil (South Africa) or Mobil (Rhodesia), as appropriate.]

Once the oil refinery in Rhodesia became starved of crude oil, Mobil (Rhodesia) had to obtain nearly all of its oil products from the Mobil Refinery at Durban. All marketing of Mobil Refinery products is carried out by Mobil (South Africa), so that for Mobil (Rhodesia) to obtain its oil products, it had to purchase them from Mobil (South Africa). But here there was a problem, brought about by sanctions regulations. In the words of Mobil Chairman Warner, these regulations "had the effect of prohibiting the Mobil group of companies from engaging outside Rhodesia in any transactions involving goods . . . destined for Rhodesia . . ." Thus it seems that in order for Mobil (South Africa) to supply Mobil (Rhodesia), some way had to be found to cloak the transactions so as to get around sanctions regulations.

It appears that an elaborate scheme was then devised to make it look as if Mobil (South Africa) was not involved in any trade with Rhodesia. The *physical* transportation of oil products from the Mobil refinery to Rhodesia posed no real problem, since unmarked railway cars were used. The problem lay in the *paperwork*, because nowhere in Mobil (South Africa)'s accounts department should there be a copy of an invoice billing a Rhodesian company.

The scheme consisted of creating what was termed a "paper-chase"—in Watergate parlance it might be called "laundering the gasoline". This paper-chase was a system whereby sales and payments would be passed through various South African companies which acted as intermediaries. Thus Mobil (South Africa) could sell products to a South African company, knowing that they would be passed on to other companies, which would eventually sell them to the required recipient in Rhodesia. If ever Mobil (South Africa) were asked whether they provided oil products for Rhodesia, they could evade the question by stating that they sold only to companies in South Africa, and that they did not know what these companies did with the oil.

Even if some smart investigator managed to show that certain Mobil products had found their way to Rhodesia, Mobil was safe—**so long as nobody could prove that there was *intention* on the part of Mobil for the products to reach Rhodesia. For if *intent* to supply Rhodesia could be proved, Mobil (South Africa)'s parent company in the USA might be liable to heavy penalties under U.S. law,** provided it could be shown that its Rhodesian subsidiary, or U.S. citizens, or goods of U.S. origin, were involved in the scheme. Thus it was necessary to set up the paper-chase in great secrecy; in particular, it was crucial that very few people within Mobil, and none outside, had knowledge of all the companies actually involved as intermediaries, or had access to the few highly-incriminating Mobil documents in which the overall scheme was described.

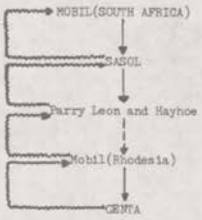
The paper-chase that was first used was relatively simple; but as we shall show, it was later made much more sophisticated. Over the years it has proved such an effective method of evading sanctions, that the only thing which has stopped Rhodesia doubling its imports of oil products, has been the shortage of foreign exchange. If Rhodesia could pay for more oil, the companies in South Africa could provide it.

4.4 THE GASOLINE PAPER-CHASE

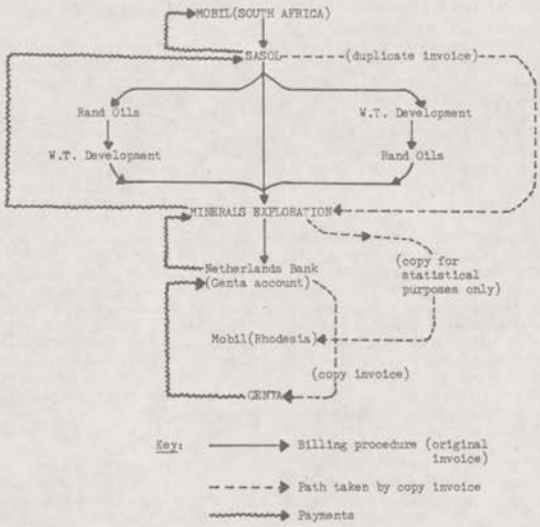
The method used until August 1968 for the importation of most of Rhodesia's gasoline requirements, which is illustrated in Diagram 1, was as follows: On receiving instructions concerning the quantities required by Genta, Mobil (South Africa) sold the required amount of gasoline to Sasol. (This is the South African Coal, Oil and Gas Corporation, all of whose shares are owned by the Industrial Development Corporation, itself owned by the South African government.) Sasol in turn sold exactly the same

Diagram 1

Flow diagram showing how gasoline was apparently sold by Mobil (South Africa) to Genta *before* September 1968.



Flow diagram showing how gasoline was apparently sold by Mobil (South Africa) to Genta *after* September 1968.



amount of gasoline to a South African company called Parry Leon and Hayhoe, at P.O. Box 1101, Johannesburg. Parry Leon and Hayhoe then sent to Mobil (Rhodesia) a *copy* of the invoice that they had just received from Sasol. This was because it was generally agreed that Parry Leon should avoid writing out any invoice on which Mobil (Rhodesia)'s name was mentioned; so Mobil (Rhodesia) promised to treat this copy (of an invoice from Sasol to Parry Leon) as if it were an invoice made out to them. Mobil (Rhodesia) then sold the gasoline to Genta. Finally, Genta sold the gasoline in agreed proportions to the five oil companies in Rhodesia (Mobil, Caltex, Total, Shell and B.P.). This meant that Mobil (Rhodesia) bought back from Genta some of the fuel it had imported on Genta's behalf. It also meant that gas stations in Rhodesia belonging to Shell, B.P., Total and Caltex were all selling gasoline that had been produced at the Mobil refinery.

The payment scheme then took place in reverse: Genta paid Mobil (Rhodesia), who paid Parry Leon and Hayhoe, who paid Sasol, who paid Mobil (South Africa).

Thus a way had been found for getting gasoline from Mobil (South Africa) to Genta via Mobil (Rhodesia), with the active assistance of a South African state-owned corporation (Sasol), and without there being any documentary evidence of a sale to a Rhodesian company by any of the three companies involved in South Africa.

Although this may appear to have been a relatively foolproof method, Genta was still not satisfied that it was sufficiently safe. There was always the possibility that an investigation might take place—for instance, the United States government might insist that Mobil carry out investigative work to check on the ultimate destination of all its large sales of gasoline.

4.5 THE IMPROVED PAPER-CHASE

At Genta's insistence, Mobil (Rhodesia) and Mobil (South Africa) then devised a more sophisticated method for importing gasoline. By this time Parry Leon and Hayhoe had been amalgamated into a large South African firm called **Freight Services Ltd**., a shipping and forwarding company based in Johannesburg. Freight Services Ltd. has from the beginning played an absolutely crucial role as a middle-man in the evading of Rhodesian sanctions. The first thing that Freight Services Ltd. did as part of the "new" method of sending gasoline to Rhodesia was to rent P.O. Box number 31883 at Braamfontein (in Johannesburg), and to use this as the address for a bogus company they invented called **Minerals Exploration Ltd.**

Two other bogus companies were also invented. The first was called **Rand Oils Ltd**; this used the mailing address P.O. Box 2581, Johannesburg, and was operated by a man called David D. Patrick. The second was named the **Western Transvaal Development and Exploration Company**, and used the address P.O. Box 677, Lichtenburg, Transvaal. This was operated by an attorney called Arnold Jacobus Oberholzer, of the legal firm Oberholzer and Van Straaten, at P.O. Box 396, Lichtenburg.

The *ordering* of gasoline was a relatively simple process. Genta specified to Mobil (Rhodesia) how much gasoline they wanted from Mobil in South Africa; Mobil (Rhodesia) then passed this request on by letter, telex or telephone. But the method whereby the gasoline was then sold to Genta via a chain of intermediaries was far more complicated.

As illustrated in Diagram 1, consecutive shipments of gasoline were handled in different ways. All would be sold first by Mobil (South Africa) to Sasol but then took varying paths. One shipment would be apparently resold by Sasol to Rand Oils Ltd., who would "resell" it to the Western Transvaal Development and Exploration Company (W.T. Development). They, in turn, would "resell" it to Minerals Exploration. The next shipment would be sold directly by Sasol to Minerals Exploration. The third would be sold by Sasol to W.T. Development, who would "resell" it to Rand Oils, who would "resell" it to Minerals Exploration. The fourth shipment would then take the first route again and so on.

However, it was not only the companies involved that were bogus: at certain stages the very sales were bogus too. Let us take as an example a shipment of 10,000 litres of premium gasoline sold along the right hand line, i.e. from Mobil (South Africa) to Sasol to W.T. Development to Rand Oils to Minerals Exploration. The first sale, from Mobil (South Africa) to Sasol, was genuine enough. But then things became a little more clouded (which was, of course, the intention). Sasol filled in an invoice (for example, invoice number 12345), billing W.T. Development for the sale of 10,000 litres of premium. On receiving this, W.T. Development (i.e. Mr. Oberholzer in his attorney's office) filled in an invoice form with the W.T. Development letter-head (which had been specially printed for this purpose by Freight Services Ltd.), billing Rand Oils (i.e. David D. Patrick) for the sale of 10,000 litres of premium. On it Mr. Oberholzer put the *same date* and the *same invoice number* as he found on the invoice he had just received from Sasol. When Mr. Patrick received this invoice, he filled in an invoice form with the bogus Rand Oils letter-head, again putting the same date and invoice number and billing Minerals Exploration for the sale of 10,000 litres of premium.

Minerals Exploration then filled in an invoice billing a Genta account at the Netherlands Bank (a South African bank). The Netherlands Bank had standing instructions to pay Minerals Exploration out of the Genta account on receiving such an invoice from Minerals Exploration. But Minerals Exploration, instead of paying Rand Oils (who had theoretically sold them the consignment of premium), bypassed both them and W.T. Development, and made a payment direct to Sasol—*despite the fact that Sasol had never made out a bill to them*. Finally, Sasol paid Mobil (South Africa).

To avoid the delays that sometimes resulted from the large number of middle-men involved, Sasol arranged to send directly to Minerals Exploration, in a sealed envelope, a copy of the invoice selling the gasoline to W.T. Development (if we continue to follow this particular example). Thus Minerals Exploration received a *copy* of invoice number 12345 from Sasol to W.T. Development billing the latter for 10,000 litres of premium. Although Minerals Exploration was not mentioned anywhere on that invoice, they then knew that the paper-chase had begun and that some time later they would receive an invoice number 12345 from Rand Oils billing them for the same amount of premium. The receipt of the duplicate invoice from Sasol to W.T. Development therefore served as an authorization for Minerals Exploration to proceed immediately with billing the Netherlands Bank (Genta account) for the amount of premium mentioned in that duplicate. In fact, that

meant that the bank could then pay them for the premium before they even received the invoice actually made out to them by Rand Oils. In Mobil parlance, Minerals Exploration was authorized to use the duplicate invoice from Sasol as their "action document."

Genta was able to keep track of the whole procedure at one step removed, because whenever the Netherlands Bank received an invoice from Minerals Exploration, they sent to Genta a *copy* of that invoice, which was their way of telling Genta that they had paid Minerals Exploration out of the Genta account for the amount of gasoline mentioned on that invoice.

The only place where Mobil (Rhodesia) featured in the whole business was when Minerals Exploration sent them, for statistical purposes, those very same copy invoices that they had received directly from Sasol.

By 1971, the payment procedure had been modified slightly, in that the Minerals Exploration bills to Genta were sent care of the Rhodesian Mission in Johannesburg, rather than care of the Netherlands Bank.

The most significant aspect of the whole operation was that Mobil (Rhodesia) could claim that it was not buying gasoline from outside Rhodesia. But what *was* happening was that Mobil (South Africa) was secretly arranging to supply Rhodesia with its gasoline requirements. The role of Mobil (Rhodesia) was to help set up the paper-chase, i.e. the chain of intermediaries, whereby Genta could import gasoline. Genta then resold this gasoline to all the oil companies in Rhodesia—including Mobil.

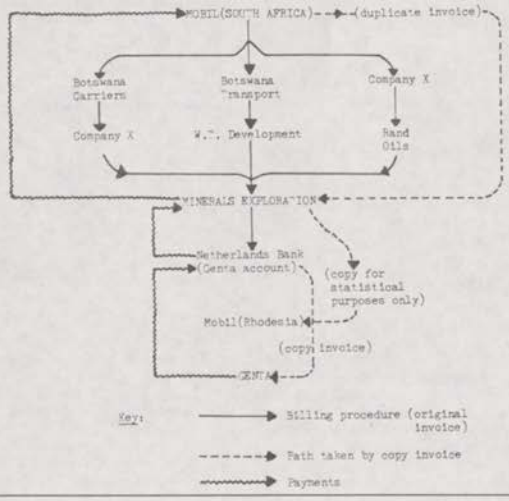
Various other objectives were achieved by this apparently laborious procedure. Firstly, none of the companies concerned sold the premium to an address in Rhodesia—the nearest they came to it was when Minerals Exploration sold it to Genta care of their agents in South Africa (i.e. the Netherlands Bank). Secondly, Minerals Exploration was a front behind which the company doing the most crucial work (i.e. Freight Services Ltd.) was able to hide. Thirdly, neither Rand Oils nor W.T. Development had to be entrusted with actually handling the vast quantities of money involved in paying for these shipments. Fourthly, neither of these two companies was able to compile statistics on the full extent of the traffic, because neither was involved in all of the shipments. Finally, there was nowhere within Sasol's sales department any evidence that Minerals Exploration was buying so much gasoline from Sasol—for two shipments out of three were apparently sold by Sasol to Rand Oils or W.T. Development. This was important, because Sasol is owned by the South African government, and it could have caused embarrassment if it was realised that Sasol was selling so much gasoline to a company acting as a front for Freight Services Ltd., which was involved in a number of other sanctions-breaking activities. The fact that Sasol was secretly sending duplicate invoices directly to Minerals Exploration provides some evidence that Sasol was aware of the true nature of the whole operation.

4.6 THE DIESEL PAPER-CHASE

As with gasoline, the method whereby diesel fuel was imported into Rhodesia was rendered considerably more sophisticated from September 1968. Again, most of

Diagram 2

Flow diagram of how diesel fuel (ADO) is apparently sold by Mobil (South Africa) to Genta.



Rhodesia's requirements were provided by Mobil (South Africa), and Minerals Exploration was the key link between them and Genta. The middle-men between Mobil (South Africa) and Minerals Exploration (see Diagram 2) were the bogus companies, Rand Oils and W.T. Development, plus two more (probably bogus) called Botswana Carriers and Botswana Transport, plus one whose name we do not know and we will call company X. The payment procedures and the use of copy invoices were the same as for gasoline importation.

However, by 1971, the procedure had been somewhat simplified, in that the number of middle-men between Mobil (South Africa) and Minerals Exploration were reduced to one, namely, the Motor and Industrial Transport Corporation, a subsidiary of a large South African company called Bonuskor Ltd. When Mobil (South Africa) sent an invoice to Motor and Industrial, they sent it not to their official address, but to Box 31883 in Braamfontein—which happens to be the address of Minerals Exploration, itself a front for Freight Services Ltd. Thus there was no need for Motor and Industrial to make out an invoice to Minerals Exploration; the Freight Services employee who handled the mail coming into Box 31883 opened the letters containing invoices addressed to Motor and Industrial, and then made out similar invoices to Genta on Minerals Exploration paper as before.

4.7 AVIATION TURBINE FUEL (AVTUR)

This, again, was imported by Genta from Mobil (South Africa), who provided all of Rhodesia's requirements. This time the paper-chase was relatively simple; Freight Services bought the Avtur from Mobil (South Africa) and sold it directly to Genta.

4.8 AVIATION GASOLINE (AVGAS)

This was imported in two ways, according to the type of Avgas. All Rhodesia's requirements of Avgas 100/130 were imported by Genta from Shell (South Africa). Avgas 115/145 and Avgas 80 were imported by Genta from Mobil (South Africa) using two alternative middle-men: Trek (a haulage company, not the better-known Trek Petroleum Company) and Caritas (a firm of clearing agents).

When Mobil (Rhodesia), acting for Genta, ordered Avgas 115/145 by telex from Mobil (South Africa), the code word "pineapples" was used; and the word "paw-paws" was used for Avtur.

4.9 NON-FUEL OIL PRODUCTS

Mobil also used the paper-chase concept for importing into Rhodesia various non-fuel oil products such as lubricants. Different intermediaries were used for different products, just as with fuels. Again, as with fuels, the Mobil refinery in South Africa was almost always the source of the products. But with these non-fuel products, Genta did not feature in the buying chain; as has already been stated, Genta left it to the various oil companies to arrange their own importation of these products.

Some of the methods used by Mobil for importing non-fuel products are described in section 5.5 below.

Chapter 5

THE EVIDENCE

5.1 ORIGINS OF THE DOCUMENTS

One way in which Mobil and the other oil companies in Southern Africa have been protected from being exposed as sanctions-busters, is that anything to do with oil in Rhodesia is covered by the Rhodesian Official Secrets Act, and the secrecy surrounding the industry is almost as intense in South Africa. But the oil companies have also been protected, as intended, by the sophistication of their importation scheme. Firstly, it is a scheme in which very few people indeed know *exactly* what is happening—though a number of people have knowledge about certain aspects of the scheme, without necessarily knowing the names of the companies involved. Secondly, even for those who do have a good idea of what is happening, it is impossible to *prove* it unless documentary evidence can be produced. And the very essence of the scheme is that hardly any incriminating documentation gets created; for if the scheme is that Company A sell oil to B, who sell it to C, who sell it to D, then there is no single document proving that A intended it to be sold to D.

OKHELA has informed the Center for Social Action of the United Church of Christ that this problem became very clear to them after their investigations reached a certain stage. The public would only be convinced of what they had discovered if they could obtain documentation which conclusively proved what was happening. But it was already clear that the only incriminating documentation that would exist was of two types:

(a) Letters which short-circuited the carefully-planned paper-chase, thereby proving that there was a business relationship between, say, Mobil (South Africa) and Mobil (Rhodesia), or between Mobil (Rhodesia) and Rand Oils Ltd.

(b) Secret policy documents, in which the whole concept of the importation operation was explained to the very few people who needed to know it.

Fortunately, OKHELA has succeeded in obtaining copies of both types of documentation. These documents have been passed on to the Center for Social Action, together with additional background information.

In this report, the Center for Social Action of the United Church of Christ is publishing over 30 pages of the documentation, omitting only a few of the pages which it has. It seems worth-while at this stage to quote a few of the more incriminating paragraphs from these documents.

5.2 SELECTED QUOTES FROM THE DOCUMENTS

- From Genta to the Managing Director of Mobil (Rhodesia):
  "... we attach a statement detailing estimated requirements of Petroleum Fuels for the period January/April, 1974. (...) we shall be obliged if you will also pass this information to your associates [i.e. Mobil (South Africa)]"
  (Quote taken from Document #1; see Section 5.3)

- From Mobil (South Africa) to Mobil (Rhodesia):
"... we should be able to supply your initial requirements [of Hexane] without too much trouble. (...) I think you can tell Rhodesian Industries that we will be able to supply them during 1974 ..."
(Quote taken from Document # 2; see Section 5.4)

- From Mobil (Rhodesia) to Mobil (South Africa), concerning the flow-diagram for the paper-chase for importing diesel fuel (see Diagram 2):
"The important feature of this plan is that the original billings by MOSA [Mobil (South Africa)] to the two or three organizations in the top line and the subsequent re-billing by those organizations to the second line and ultimately the third re-billings by the second line to the third line are, to all intents and purposes, meaningless and are merely our false trail being laid ...

"You might consider that the procedure that we have adopted is unduly complicated and unnecessary, but as was conveyed to you when you were here, it is the wish of George's people [a reference to Genta, whose Chairman is George Atmore] that we involve and complicate this matter to a far greater degree than pertains at present in the hope that it will discourage an investigation."
(Quote taken from Document # 16; see Appendix)

- From an internal Mobil (Rhodesia) report:
"When orders for lubricants and solvents are placed on our South African associates [i.e. Mobil (South Africa)], a carefully planned paper-chase is used to disguise the final destination of these products. This is necessary in order to make sure that there is no link between MOSA [Mobil (South Africa)] and MOSR's [Mobil (Rhodesia)'s] supplies...

"This paper-chase which costs very little to administer, is done primarily to hide the fact that MOSA is in fact supplying MOSR with product in contravention of U.S. Sanctions regulations ..."

"Genta allocates to Mobil the importation of Premium, Regular, ADO [diesel fuel], and Avtur [Aviation turbine fuel]. Avtur is imported on behalf of Industry despite frequent attempts by Shell to stop this ... While Mobil imports Avtur, other companies import kerosene, avgas etc.."
(Quotes taken from Document # 17; see Appendix)

- From another internal Mobil (Rhodesia) report:
"With U.D.I., it became necessary to impose certain security restrictions so as not to link Mobil South Africa with Mobil Rhodesia. The East Coast route [i.e. by ship from South Africa to Mozambique, and thence by rail to Rhodesia] was, therefore, overlooked for the following reasons: (...) With the East Coast being under heavy surveillance it was considered undesirable to have Mobil drums stacked at Mozambique ports, even though the names on the drums had been painted out."
(Quote taken from Document # 18; see Appendix)

A number of the documents are reproduced in full over the next few pages. Three of the longer and more detailed ones, all highly secret, are shown in the Appendix.



A Mobil gas station in Salisbury, Rhodesia.

5.3 LETTER FROM GENTA TO MOBIL (RHODESIA)

DOCUMENT #1

GENTA (PVT.) LIMITED
IMPORTERS AND EXPORTERS
FIRST FLOOR LINQUENDA HOUSE
SALISBURY
TELEPHONES 25113-4-7-9-0
TELEGRAMS 'GENTA'
P.O. BOX 8442 CAUSEWAY
RHODESIA
TELEX RH2228

8.4/12
Mr Dunbobbin 6/12
Mr Mackenzie

SECRET

Our Ref : DA/EY/8135

3rd December, 1973.

Mobil Oil Rhodesia (Pvt) Ltd.,
P. O. Box 791,
SALISBURY

For attention : Mr. J. B. Nicol

Dear Sir,

Referring to our letter 7852 of 31st July, 1973, we attach a statement detailing estimated requirements of Petroleum Fuels for the period January/April, 1974. These again are expressed in cubic metres.

Mr. Atmore has taken a copy of this statement with him on his present visit to Capetown, but we shall be obliged if you will also pass this information to your associates. The same details have been supplied to our Agents in Lourenco Marques.

Yours faithfully,

E. Airey
OPERATIONS MANAGER

Encl.

DOCUMENT #1 (cont)

SECRET

SECRET

MOBIL OIL RHODESIA (PVT) LTD.

ESTIMATED REQUIREMENTS

JANUARY - APRIL, 1974

CUBIC METRES

	January	February	March	April
Premium	4200	4000	3900	4400
Diesel	6790	6570	6490	6570
Avtur	2260	2170	2580	2390

Document #1 is a letter from D. Airey, who is Operations Manager of Genta, the semi-secret Rhodesian government agency controlling fuel imports. It is addressed to Berwick Nicol, Managing Director of Mobil (Rhodesia).

Every four months, Genta instructs Mobil (Rhodesia) to arrange the importation to Rhodesia of specified quantities of Premium gasoline, Regular gasoline, Diesel fuel, and Avtur (Aviation turbine fuel), to come from the Mobil refinery in South Africa, via the paper-chase referred to in Sections 4.5 and 4.6.

The "Mr. Atmore" referred to is George Atmore, Chairman of Genta. The "visit to Capetown" refers to visiting the head office of Mobil (South Africa). "Your associates" refers to Mobil (South Africa). The identity of Genta's "Agents in Lourenco Marques" is not known; it could be the Lourenco Marques branch of Freight Services Ltd. The reference to Lourenco Marques makes it fairly clear that this fuel was intended to come via Mozambique on its way from South Africa to Rhodesia.

Further analysis of the quantities specified is given in Section 5.8. The fact that Mobil was not asked to import any Regular gasoline at this time suggests that Rhodesian reserves were already considered adequate; or possibly that for a while all the importation of Regular was being carried out by another oil company.

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5.4 LETTER FROM MOBIL (SOUTH AFRICA) TO MOBIL (RHODESIA)

Document #2 is a letter from M.H.W. Gubb of Mobil (South Africa), to Bill Jackson of Mobil (Rhodesia). One thing that Bill Beck, Chairman of Mobil (South Africa), apparently insists on is that when correspondence takes place between Mobil (South Africa) and Mobil (Rhodesia) on the question of the supply of oil products from the former to the latter, people should write on a *personal* basis. Thus the letter-head used here gives only the P.O. Box number of Mobil (South Africa), and the letter is addressed to Jackson personally, rather than to his department and company. Sometimes letters and phone calls between the two Mobil subsidiaries are sent to home addresses rather than to the office address.

This letter, which is only shown in part because of shortage of space, concerns detailed aspects of the supply to Rhodesia of certain solvents. The quantity "metton" referred to is a metric ton. Note the marked sections, including: (a) the crucial reference to supplying Mobil (Rhodesia) with some Hexane apparently originating in the U.S.A.; (b) the reference to the possibility of an embargo being imposed by the American government on oil exports from USA to South Africa, or by the South African government on exports to Rhodesia.

In Document # 16 (see Appendix), there is a letter going the other way, i.e. from Mobil (Rhodesia) to Mobil (South Africa). Thus we have documentary evidence of a *two-way* correspondence between subsidiaries of Mobil concerning the exportation of oil products to Rhodesia by Mobil (South Africa).

5.5 MOBIL'S IMPORTS OF NON-FUEL OIL PRODUCTS

As has already been made clear, Genta does not involve itself in the importation into Rhodesia of non-fuel oil products. Subject to limitations of foreign exchange, the oil companies in Rhodesia make their own arrangements for importing these products.

There are a large number of different products under this category, and when Mobil

DOCUMENT #2

P.O. BOX 35,
CAPE TOWN

Mr. W.J.R. Jackson,
Mobil,Gmy.

3 December, 1973.

Dear Bill,

BECKER

Immediate Future

Our next bulk shipment is due in Durban in late December, and, although our original order for 700 mettons may be reduced (through a force majeure claim by the suppliers - Esso in Rotterdam) to 560 mettons, our bulk tank in Durban will be fairly full, after arrival of this shipment.

The bulk tank, capacity 1 400 mettons, should have 1 100 mettons in it at the end of December, against an average monthly offtake of 280 mettons, giving 3,9 months cover, or nearly 3,7 months inclusing the additional 20 mettons/month you will require.

The next bulk import after December will be in March/April. Therefore, with your requirement of up to 60 mettons by March, 1974, we will have to work on a bulk import arriving before mid-April to insure against run-out.

From this picture, you can see that we should be able to supply your initial requirements of 60 MT without too much trouble.

1974

We have got cover for 4 650 mettons from a US Gulf source for 1974 at going US market prices. This is in excess of current offtake and can easily take care of your 20 mettons/month. However, the price will be negotiated quarterly. We have already got the first quarter price, which is up on our current price but this is already taken care of in our latest price to Lemco.

After the first quarter, prices will almost certainly escalate but we do not know to what extent and will only know in March/April for the June/July shipment.

In theory, therefore, we will have adequate supplies for the whole of 1974, but we cannot disregard the possibility of an embargo of exports from the U.S., or from South Africa to Rhodesia, or our supplier calling force majeure because of feedstock shortages.

Shell gets their Hexane from Sudan and are probably more vulnerable than we are to supplies being cut off. I think you can tell Rhodesian Industries that we will be able to supply them during 1974 barring any severe crisis, but naturally we can not give any guarantee of continuity of supplies.

Wishing you all a Happy Xmas!

Regards,

M.H.W. Gubb

(South Africa) and from occasional other sources, they tend to use a (Rhodesia) import them from Mobil different paper-chase for each product. Summarised details on these different methods are given in Document #17 (see Appendix). Section IX of that report deals with the importation of lubricants and greases. This is also covered (under "Lubricating Products") in Document #16 (see Appendix). The paper-chase used until recently for these two products is particularly interesting, and is explained in the flow diagram shown in Document #3. (That document was orginally appended to the report in Document #17).

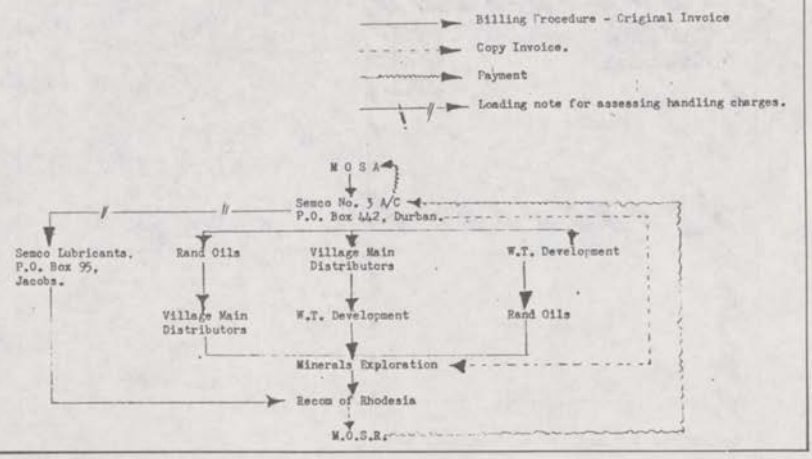
The paper-chase for lubricants and greases was remarkable in that it made use of no fewer than *six* bogus organizations. These are:

- Semco No. 3 Account, of P.O. Box 442, Durban. This is similarly-named to a legitimate company called Semco Lubricants and Chemicals (Pty) Ltd, which is a part of Chemico (Pty) Ltd. Chemico is a wholly-owned subsidiary of Trek Beleggings Ltd., which itself is 17.5 percent owned by Shell (South Africa), and 17.5 percent owned by B.P. (South Africa). But in their letter in Document #16, Mobil (Rhodesia) says: "We have obtained Semco's agreement to our opening a number 3 account in their name at the address of their Attorneys ..." The attorneys in question are Mooney, Ford and Partners, of Box 442, Durban. The man handling the bogus Semco account on behalf of Mobil was Mr. Dugmore.
- Rand Oils Ltd., operated by David D. Patrick from P.O. Box 2581, Johannesburg.
- Western Transvaal Development and Exploration Co., operated by the lawyer A.J. Oberholzer from P.O. Box 396, Lichtenburg.
- Minerals Exploration Ltd., a front for Freight Services Ltd. operated from P.O. Box 31883, Braamfontein. (This organization and the previous two have already been mentioned in connection with the role they play in the gasoline and diesel paper-chases).
- Village Main Distributors, operated by Mrs. Anne Beard from P.O. Box 67324, Bryanston, Transvaal.
- Recom of Rhodesia Ltd., a front for Mobil (Rhodesia) operated out of Box ST39, Southerton, Salisbury, Rhodesia.

The paper-chase illustrated in Document #3 worked as follows: on receiving requests from Mobil (Rhodesia) for consignments of lubricants or greases, Mobil (South Africa) sold them to what looked like a frequent customer, namely, Semco. But, in fact, they were sold to something quite different, namely, Semco No. 3 Account, over which the legitimate Semco had no control. Instead, it was controlled by the attorney, Mr. Dugmore. He then sold the consignment in rotation to Rand Oils, Village Main Distributors, and W.T. Development; each then sold them to another middleman (see flow diagram in Document #3), who sold them to Minerals Exploration, who sold them to Recom of Rhodesia, which was a front for Mobil

LUBRICATING PRODUCTS

DOCUMENT #3



(Rhodesia). The general concept is very similar to that of the paper-chases already described in more detail.

In fact the procedure described above is the third of four procedures that have been used over the years. The first method, used until August, 1968, was for Mobil (South Africa) to sell to the legitimate Semco, who sold direct to Recom of Rhodesia, fronting for Mobil (Rhodesia). This was changed partly because Genta insisted that more sophisticated methods be used, and partly because there were accounting problems involved in using the legitimate Semco (see Document #16). The second method used was as described in Document #3, except that payment from Mobil (Rhodesia) to Semco No. 3 Account went via Minerals Exploration rather than direct. This was replaced in about 1970 with the method shown in Document #3. Then, finally, in early 1975, a completely new method was made use of, which is described later in Section 6.2.

DOCUMENT #4

MEMO
from the desk of
Mr. D. D. PATRICK

21.9.68

Ms Laune:

Do the attached get re-invoiced to Village Main Distributors, P.O. Boyanston? ——— I'm not sure at all as the schedules I received from Richard whilst you were here refer to "A. Dunbar", but nowhere to Semco itself.

If the above is correct then please return invoices to me and I will fix, but if not please let me know what is required.

David Patrick

DOCUMENT #6



Mr Stephen Phear,
Mobil Oil,
P.O. Box 791,
SALISBURY
Rhodesia.

P.O. Box 6734,
BOYANSTON
Transvaal.
Oct 31st 1973

Dear Mr. Phear,

I am rapidly running out of invoices & would appreciate it very much if you could order some more from yours as soon as possible.

Sincerely,
Mrs A. Beard.

5.6 MOBIL (RHODESIA) AND THE MIDDLE-MEN

So far as outward appearances were concerned, the "middle-men" such as Rand Oils (see Document #3) had nothing to do with Mobil (Rhodesia), and there should be no reason for any contact between them and Mobil in Rhodesia or South Africa. Such contact only took place when something went wrong—and the contact provides highly incriminating evidence.

From September 1968, David Patrick operated the bogus "Rand Oils" as a part of the paper-chase for lubricants described above in 5.5. On 21 September 1968 he wrote to Peter Faure, of Mobil (Rhodesia), enclosing some invoices. His note, shown in Document # 4, was querying whether these invoices for lubricants, made out to Rand Oils by Semco No. 3 Account, should be re-invoiced by him to Village Main Distributors. The "Richard" referred to is Richard van Niekerk, author of the letter in Document # 16.

Faure replied on 30th September saying that Mr. Patrick was right, and that van Niekerk, had given confusing instructions. He ended: "I ... attach ... the invoices for your onward transmission to Village Main Distributors". In other words, Faure was sending *back* to Mr. Patrick some invoices made out by Semco No. 3 Account to Rand Oils, so that Mr. Patrick could write out similar invoices from Rand Oils to Village Main Distributors. Eventually, Faure received invoices for the *same* lubricants, made out this time by Minerals Exploration to Recom of Rhodesia.

On October 18th 1972, Anne Beard, who operated "Village Main Distributors" as part of the lubricants paper-chase, wrote to Stephen Phear of Mobil (Rhodesia)—an organization with which she officially had no connection. She said that she had run out of blank "Village Main Distributors" invoices, and would be glad if he could arrange to have some more printed for her. (This, if nothing else, helps to prove that Village Main was not a real company). Tony Bates, acting on behalf of Phear, then wrote on 25 October to Mr. Meier, one of the two contact people at Freight Services Ltd., that

DOCUMENT #5

FREIGHT SERVICES LIMITED

In Association with
FBL AIRCARGO LIMITED
MUSGROVE & WATSON LIMITED

FOR COMPLETE SHIPPING - STEVEDORING - AIRCARGO
TRAVEL SERVICE

Telephones 836-2011, 836-3622 & 836-7124
Telex 43-7162 JH, 43-7740 JH, & 43-7041 JH
Tel. & Cable Add. "Freights"

Mr. A. Bates,
P.O. Box 791,
SALISBURY.

Please reply to:
CITIBANK CENTRE
60 MARKET STREET
P.O. BOX 1101
JOHANNESBURG

Our reference: Your reference:

ARM/MAP

31st October, 1972.

Dear Sir,

VILLAGE MAIN DISTRIBUTORS:

We acknowledge receipt of your letter of 25th October and will accordingly supply the above with a further set of invoices.

Please note and advise all concerned that any correspondence sent to this office must be addressed to the undersigned and no one else. Your above letter was addressed to Mr. Meier who has had nothing to do with this operation at any time.

We would suggest you delete his name from your records to avoid any confusion.

Yours faithfully,
FREIGHT SERVICES LIMITED,
As Agents,

A.R. MORRIS
MANAGER : FOREIGN TRADE DIVISION

BRANCHES AT ALL PORTS AND MAIN CENTRES IN SOUTHERN AFRICA
Directors: W.J.D. Musgrove (Chairman), L.B. Kish (Managing), R.B. Lismer, P.I.F. Mainprice, W.H. Parkinson, B.F. Schwikkard, P.J. Tonkin
Alternates: C.D. Arnett, A.F. Hamilton, I.B. King, J.C. de Sarmis (Portuguese), A.J.R. Weir

All business is undertaken subject to the Standard Trading Conditions of the South African Shipping and Forwarding Agents' Association (Printed Overleaf)

are mentioned in the list of contacts in Document # 17. He passed on to Meier the request to get the Village Main invoices printed. On October 31st, A.R. Morris, the other Freight Services contact person, replied to Bates with the letter shown in Document # 5. He agreed to provide Mrs. beard with her invoice forms, but he went on to criticise Bates for dealing with the wrong person at Freight Services. Morris was Manager of the Foreign Trade Division, which is a senior position. It seems clear that very few people at Freight Services were allowed to know about the involvement with Mobil.

Mrs. Beard had run out of invoices again by October 1973, as her letter in Document # 6 indicates.

These letters suggest the existence of highly irregular links between Freight Services, Mobil (Rhodesia), Rand Oils, and Village Main Distributors.

5.7 TWO REVEALING INVOICES

The paper-chase used for solvents such as Pegasol-3040 operates as follows: Mobil (South Africa) first sell it to "Plascon Evans Paints Natal Ltd. Non. Rep. No. 3 Account", at P.O. Box 442, Durban. Plascon Evans Paints is a large and well-known firm, which could often be expected to buy solvents in large quantities. But Plascon Evans No. 3 Account is nothing to do with the legitimate Plascon Evans company; it is operated on behalf of Mobil by the attorneys Mooney Ford and Partners, whose address is P.O. Box 442, Durban. (It will be remembered that the same attorneys operate the Semco No. 3 Account, as part of the lubricants paper-chase.)

On receiving the invoice made out to Plascon Evans No. 3 Account, Mr. Dugmore in the attorneys' office takes out a blank "Minerals Exploration" invoice, and uses it to "sell" the same quantity of the same product to "Recom of Rhodesia", which of course is a front for Mobil (Rhodesia). The latter then collect that invoice from P.O. Box ST39, Southerton, in Salisbury.

Shown in Document #7 is a rail advice note (similar but not identical to an invoice) for a consignment of 36,746 litres of Pegasol-3040, sold by Mobil (South Africa) to Plascon Evans No. 3 Account on August 7, 1973; the price is 1,260 Rands and the invoice number is 134977. On receiving this, a Minerals Exploration invoice was made out giving not only similar details concerning the commodity, quantity and price, but also giving the same date and invoice number; this invoice is shown in Document #8.

DOCUMENT #7

RAIL ADVICE NOTE

Mobil

Mobil Oil Southern Africa (Pty) Ltd
Mobil-Olie Suidelike Afrika (Edms) Bpk

Mobil Oil Southern Africa (Pty) Ltd
Mobil-Olie Suidelike Afrika (Edms) Bpk

PLASCON EVANS PAINTS NTL. LTD.
NON REP. NO 3 ACCOUNT,
P.O. BOX 442, DURBAN.
RAIL DBN Goods

PLASCON EVANS PAINTS (NTAL LTD.,
NON REP. NO.3 ACCOUNT,
P.O. BOX 442
DURBAN.

4362385/005

№ 134977

7/8/73

5332

ADD 1 TANKCAR PEGASOL 3040 98355
WHITE SPIRIT
DANGEROUS GOODS
Duty FREE

1 TANKCAR PEGASOL 3040
-900- 36746

3-43 R1260-34
CC

Rd. 23
DBN Goods

88017350 AT 20 c 7716

36820 22 c

36746 36820
NETT LITRES

459 Monbank STR West
West

7.8.73

MOBILOIL SUPER
SAVES MORE THAN IT COSTS
DUBBEL EN DWARS SY PRYS WERD

DOCUMENT #8

MINERALS EXPLORATION COMPANY

INVOICE No. 134977

P.O. BOX 31883
BRAAMFONTEIN

INVOICE

Sold to / Verkoop aan: Iscor of Rhodesia,
Box ST 39,
SOUTHERTON.

YOUR REFERENCE

Date 7.8.73.

	Description	Quantity	Unit	Price/Unit	Disc.	Nett
1 x Tankcar	Pegasol [illegible]	-3-09848-900	36746	3 43		1260

PRODUCE OF SOUTH AFRICA / PRODUK VAN SUID AFRIKA

5.8 RHODESIA'S FUEL CONSUMPTION

The information given in the top two tables of Document #9 represents an important Rhodesian state secret. The first table shows how Rhodesia's *total* consumption of gasoline (Premium plus Regular) has changed over the years since UDI. The "General Trade" column refers to gasoline sold through normal retail outlets. The "Contract Trade" column refers to bulk orders of gasoline sold by contract. The "Total Trade" column is the sum of these two.

Thus at the time of UDI, when there were no political problems involved in importing fuel, Rhodesia consumed 1,407,000 barrels of gasoline, or about 165,000 tons. Two years later, consumption was only 20 percent down, despite supposedly rigorous sanctions. By 1974 (the year after this summary was written in Mobil (Rhodesia)'s head office), gasoline consumption was anticipated to be 1,939,000 barrels (about 230,000 tons), 38 percent above the UDI level.

The equivalent figures for Rhodesian consumption of diesel fuel (A.D.O.), shown in the second table, are as follows: 1965, 1,197,000 barrels (about 140,000 tons); 1967, 14 percent down; 1974 planned level, 1,869,000 barrels (about 220,000 tons); that is, 56 percent above UDI level.

We know from the Genta letter to Mobil shown in Document #1, that Genta estimated that it would require Mobil (South Africa) to provide Rhodesia with 26,420 cubic metres of diesel fuel during the first four months of 1974. That is roughly equivalent to an annual provision of 500,000 barrels, which is 26 percent of Rhodesia's planned 1974 diesel consumption. **During at least the late sixties, Mobil apparently provided most of Rhodesia's consumption of diesel, Regular, Premium and Avtur. But by the early seventies, the other oil companies—not just Mobil—were exporting fuel from South Africa to Rhodesia. That is why Mobil provided only about a quarter of Rhodesia's djesel needs in 1974.**

The third table in Document #9 shows how Mobil's market share within Rhodesia has varied since

DOCUMENT #9

RHODESIA

TOTAL INDUSTRY POTENTIAL (Thousands Barrels p.a.)

GASOLINE	General Trade Volume	Index	Contract Trade Volume	Index	Total Trade Volume	Index
1965	1360	100	107	100	1467	100
1967	1056	81	71	66	1127	80
1969	1269	90	62	58	1331	95
1970	1378	106	61	57	1439	102
1971	1541	119	70	65	1611	114
1972	1751	135	75	70	1826	130
1973 Plan	1840	142	72	67	1912	136
1973 Proj.	1796	138	77	72	1873	133
1974 Plan	1859	143	80	75	1939	138
A.D.O.						
1965	881	100	316	100	1197	100
1967	963	109	64	20	1027	86
1969	1096	125	66	21	1164	97
1970	1249	142	69	22	1318	110
1971	1396	158	70	22	1465	122
1972	1525	173	73	23	1598	134
1973 Plan	1667	191	76	24	1763	147
1973 Proj.	1665	189	73	23	1738	145
1974 Plan	1793	204	76	24	1869	156

TOTAL TRADE MARKET SHARES (Mobil)

	Gasoline	A.D.O.	Illuminating Kerosine	Power Kerosine	L.F.O.
1965	20.7	20.1	24.1	23.5	60.0
1967	19.4	22.9	21.8	20.9	75.0
1969	18.1	21.7	25.0	19.9	74.3
1970	18.3	21.5	23.8	19.3	73.0
1971	18.3	22.2	23.7	15.6	73.3
1972	18.4	23.0	23.7	14.9	71.5
1973 Plan	18.7	22.2	23.2	16.3	69.1
1973 Proj.	18.3	22.9	23.7	16.3	71.6
1974 Plan	18.5	22.9	23.8	17.0	72.7

DOCUMENT #10

K. Total Trade

L. Market Share Trends - Total Gasoline

	M	N	O	R.P.	TOTAL	POTENTIAL 1974
1967	19,4	34,6	20,7	15,9	7,5	+ 13,2%
1968	19,1	34,4	22,2	15,4	8,9	+ 10,3%
1969	18,1	36,0	22,1	15,5	8,2	+ 7,2%
1970	18,3	36,5	21,2	15,5	8,5	+ 8,1%
1971	18,4	37,2	21,0	15,5	7,9	+ 12,0%
1972	18,4	35,8	22,3	15,3	8,2	+ 13,3%

UDI for five different fuel products. In 1972, for instance, Mobil (Rhodesia) sold 18.4 percent of the gasoline and 23 percent of the diesel in Rhodesia. It is very important to appreciate that this does not mean that Mobil *imported* 18.4 percent of the gasoline imported in 1972. Genta makes its own arrangements for the importation of fuels; Genta then sells to the five oil companies in Rhodesia the fuel which it has imported, for them to retail throughout the country. The third table thus refers to Mobil's market share of what was sold within Rhodesia, and does not tell us how much Mobil imported.

We know from Document # 9 that the projected Rhodesian consumption of gasoline in 1973 was 1,873,000 barrels, of which Mobil expected to sell 18.3 percent, or 343,000 barrels. Likewise, Mobil's projected 1973 sale of diesel fuel was 22.9 percent of 1,738,000 barrels, i.e. 398,000 barrels. The two together total 741,000 barrels. We do not know what Mobil's sales were that year for other fuel and non-fuel products, but we can calculate it from the fact that Document # 12 shows Mobil's projected 1973 sales within Rhodesia of *all* products was 942,000 barrels. Thus it is possible to derive the following table:

Mobil's projected 1973 sales within Rhodesia:	
Gasoline	343,000 barrels
Diesel	398,000 barrels
All other oil products	201,000 barrels
Total sales	942,000 barrels

Again, it should be emphasized that these figures represent Mobil's sales within Rhodesia, *not* its imports into Rhodesia.

The table in Document # 10, taken from a different Mobil (Rhodesia) report, shows Mobil's estimate of how the market shares in the gasoline market have varied from 1967 to 1972 for the five oil companies in Rhodesia (Mobil, Shell, Caltex, B.P. and the French company, Total). In 1972, Mobil had 18.4 percent of the gasoline market, Shell had 35.8 percent and so on. Shell is by far the largest oil company in Rhodesia.

DOCUMENT #11

FINANCIAL DATA

MOBIL OIL SOUTHERN RHODESIA (PVT.) LTD.

1. SURPLUS CASH:

Cash on call with Merchant Bankers at present amounts to R$1 000 000. It is not envisaged that it will be possible to remit any of these funds in the medium term, i.e. within 3 years.

2. OVERDRAFT FACILITIES:

Overdraft facilities are at present R$620 000. These are not required for normal day to day business operations but are available for special projects. The current rate of overdraft interest is 7½%.

3. CASH GENERATION:

It is envisaged that surplus cash will be generated at the rate of R$30 000 per month in 1973, resulting in an end-year projected cash balance of R$1 360 000 before deducting special investment opportunities totalling R$1 014 000.

4. SERVICE CHARGES:

Annual service charges payable to Mobil Oil Southern Africa (Pty.) Ltd. amount to R$140 000.

5. SALARIES AND RELATED EXPENSE:

Projected 1973 Salaries and Related amount to R$686 000 out of a total expenditure of R$1 685 000. This represents 42,8%.

5.9 FINANCIAL LINKS

Document # 11 is part of a 1973 Mobil (Rhodesia) report. Paragraph four is very important. It suggests that there was a *direct* payment from Mobil (Rhodesia) to Mobil (South Africa), which would be a particularly blatant evasion of sanctions regulations. This payment was for the relatively insignificant sum of 140,000 Rhodesian dollars; and was to pay for items such as the use of the Mobil (South Africa) computer and a share of the costs of developing certain Mobil graphics.

Much larger sums of money were of course paid by Mobil (Rhodesia) and by Genta to Mobil (South Africa) via the intermediaries made use of in the various paper chases. It is possible to calculate roughly how much Genta paid Mobil (South Africa) in 1974 as follows. Document # 1 shows that Mobil (South Africa) provided the following for Genta during the first four months of 1974: 16,500,000 litres of Premium, 26,420,000 litres of diesel and 9,400,000 litres of Avtur. One of the documents that CSA is not including in this report for reasons of space shows that at about that time the price charged by Genta to the oil companies in Rhodesia was: Premium—15.394 U.S. cents per litre; Diesel—11.555 U.S. cents per litre; Avtur—13.679 U.S. cents per litre. (By the time these were sold at the pumps, however, duty and profit margins had been added and the prices of Premium and diesel were 30.09 and 18.408 U.S. cents per litre respectively.) Estimating that Genta charged the oil companies in Rhodesia, before duty, about 10 percent more than they paid Mobil (South Africa) for the imports, and assuming that importation rates and prices remained steady during 1974, we find that during that year, the sum of money paid via intermediaries by Genta to Mobil (South Africa) for *fuel* products was about U.S. $18.6 million. In addition, Mobil (South Africa) sold a range of *non-fuel* products to Mobil (Rhodesia) without going through Genta. We cannot calculate the value of these, but it seems fair to estimate that in 1974 Mobil (South Africa) apparently provided oil products for Rhodesia worth at least U.S. $20 million.

5.10 MOBIL'S INTERNAL FINANCES

Documents #12, #13 and #14 provide a wealth of financial and other detail that we can hardly begin to analyse in the space available. All three documents are extremely confidential internal reports.

A key is given below to explain some of the terms and symbols. Document #12 summarises how Mobil (Rhodesia)'s performance improved between UDI and 1973. During eight years of sanctions, Mobil's operations in Rhodesia went from reasonably profitable to highly profitable. For instance:

- After-tax return on investment rose steadily from 9.8 percent to 18.3 percent;
- After-tax profit per barrel tripled, while marketing expense per barrel remained steady;
- Sales rose from 763,000 barrels to 966,000 barrels;
- The value of sales doubled, from U.S. $12.8 million to $24.8 million;
- The cash position went from a deficit of nearly a million dollars to a surplus of $2.3 million.

Document #13 is a summary of the December 1972 profit figures for five Mobil subsidiaries: Mobil (South Africa), Mobil (Rhodesia), Mobil (Malawi), the Mobil refinery in South Africa and the Westchester Insurance Company (Pvt.) Ltd. The particular value of the document is that it gives cumulative figures, so it is possible to obtain annual figures from the column entitled "Cumulative Reported."

The figures are in thousands of U.S. dollars; so from the row "P.B.T." (profit before tax) in the MOSR section, it is possible to see that Mobil (Rhodesia)'s pre-tax profit in 1972 was $1.614 million. (This varies somewhat from the figure given in the later-dated document #12, because certain outstanding debits and credits had not been taken into account when Document #13 was compiled.)

The row entitled "New York Profit" probably refers to the profit figure that was reported to the New York head office of Mobil; the fact that such a figure was reported for Mobil (Rhodesia)'s operations suggests that the head office was at least given a reasonable amount of information about the activities of the Rhodesian subsidiary. This conflicts with the claims of many European and U.S. companies, with subsidiaries in Rhodesia, who state that because of UDI, they have no control over the activities of these subsidiaries and indeed receive no information concerning their operations.

Document #14 is a similar financial report for 1973, although it is constructed slightly differently. By comparing these two tables, it is possible to see that between 1972 and 1973, pre-tax profits rose as follows: Mobil (Rhodesia), from $1.6 million to $2.7 million; Mobil (South Africa), from $13.2 million to $32.7 million; Mobil Refinery, from $9.7 million to $26.3 million. The increases were remarkable, though much of it could represent the increase in value of fuel stocks, caused by the "oil crisis" price rises.

Key:

$'000	thousands of U.S. dollars
BBL'000	thousands of barrels
$/BBL	dollars per barrel
Proj.	projected figures (for a year not yet completed)
Variance	difference between reported figure and planned figure
P and (L)	Profit and loss
M.I.S.	Management Information Services

DOCUMENT #12

MOBIL OIL RHODESIA

	UNIT	1965 ACTUAL	1969 ACTUAL	1970 ACTUAL	1971 ACTUAL	1972 ACTUAL	1973 PROJ.	1973 ACTUAL
SHAREHOLDERS INVESTMENT	$'000	3 841	3 906	4 466	5 407	6 258	7 400	8 015
PROFIT BEFORE TAX	$'000	675	708	947	1 230	1 614	2 288	2 420
BEFORE TAX RETURN ON INVESTMENT	%	17,57	18,12	21,20	22,62	25,8	30,9	30,2
PROFIT AFTER TAX	$'000	377	341	508	670	861	1 144	1 464
AFTER TAX RETURN ON INVESTMENT	%	9,81	9,74	11,37	12,21	13,8	15,4	18,3
INLAND TRADE VOLUMES	BBL'000	763	625	693	783	911	942	966
GROSS PROFIT	$'000	3 051	2 853	3 201	3 681	4 425	5 456	5964
GROSS PROFIT	$/BBL	4,00	4,57	4,62	4,70	4,86	5,79	6,17
MARKETING EXPENSE	$'000	2 372	2 129	2 259	2 557	2 811	3 168	3 521
MARKETING EXPENSE	$/BBL	3,11	3,41	3,26	3,27	3,09	3,36	3,64
PROFIT BEFORE TAX	$/BBL	0,88	1,13	1,37	1,57	1,77	2,43	2,51
PROFIT AFTER TAX	$/BBL	0,49	0,61	0,73	0,86	0,95	1,21	1,52
TRADE ACCOUNTS RECEIVABLE	$'000	984	747	916	989	1 527	1 580	1949
TRADE SALES REALISATIONS	$'000	12 772	13 449	14 837	16 645	18 004	22 000	24 772
T.A.T. AS PERCENTAGE OF TRADE SALES	%	7,70	5,27	6,15	5,91	8,48	7,18	7,44
INVENTORY	$'000	1 383	1 118	1 209	1 374	1 295	2 000	1 710
CASH POSITION	$'000	(830)	276	562	856	1 850	2 200	2 330

DOCUMENT #13

FINAL SUMMARY OF PROFIT BEFORE TAX — MONTH OF: DECEMBER, 1972.

000's £	PREVIOUS QUARTERS REPORTED	PREVIOUS QUARTERS VARIANCE	CURRENT QUARTER CURRENT MONTH	CURRENT QUARTER CUMULATIVE	CURRENT QUARTER PLAN	CURRENT QUARTER VARIANCE	CUMULATIVE REPORTED	CUMULATIVE VARIANCE	LATEST INCOME FORECAST REPORTED	LATEST INCOME FORECAST VARIANCE FROM PLAN
MOSA - Gross Profit	32 721	(436)	4 245	12 036	12 573	(537)	44 757	(973)	44 934	(756)
- (Expense)	(23 561)	(195)	(3 014)	(8 336)	(8081	(528)	(31 897)	(733)	(31 547)	(373)
- P & (L) Items	311	(310)	90	326	164	362	475	(154)	296	333
NEW YORK PROFIT	9 109	(1 147)	1 321	4 026	4 929	(703)	13 335	(1 850)	13 683	(1 902)
- USCH	(28)	11	(47)	(53)	(28)	(25)	(72)	26	(51)	(80)
- Other P & L	601	1 275	(29)	701	234	473	1061	802	31	527
F.B.T.	9 684	189	1 245	3 466	4 667	(1 201)	13 150	(1 012)	13 679	(483)
MOSB - Gross Profit	3 207	197	453	1 222	1 086	136	4 425	333	4 364	272
- Expense	(2 140)	(20)	(314)	(802)	(729)	(73)	(2 942)	(93)	(2 875)	(26)
- P & L Items	15	5	(8)	6)	4	(10)	5	5	17	3
NEW YORK PROFIT	1 078	182	131	414	361	53	1 492	225	1 306	249
- Other P & L	(5)	(18)	124	127	(5	132	122	104	(5)	(27)
F.B.T.	1 073	164	255	541	366	175	1 614	339	1 501	226
MSM - Gross Profit	597	(3)	71	185	190	(5)	782	(8)	773	(17)
- Expense	(335)	(14)	(82)	(168)	(167)	(1)	(337)	(31)	6847	(4)
- P & L Items	(20)	(20)	(36)	(35)	-	(35)	(55)	(55)	(23)	(23)
NEW YORK PROFIT	42	(37)	(47)	(38)	23	(61)	4	(98)	36	(46)
- USCH/P & L	-	4	4	3	(2)	5	3	9	(11)	5
F.B.T.	42	(33)	(43)	(33)	21	(56)	7	(89)	35	(41)
TOTAL MARKETING F.B.T	10 799	320	1 457	3 972	5 054	(1 082)	14 771	(762)	15 235	(298)
MOSEP - Gross Profit	16 90)	[2 583]	1 762	6 284	7 204	(920)	22 287	(3 503)	22 834	[2 956]
- Expense	(9 274)	42	(1 644)	(2 893)	(2 820)	(73)	(12 172)	(31)	(12 217)	(76)
- P & L Items	816	544	224	388	194	194	1 204	738	1 112	646
NEW YORK PROFIT	7 545	(1 997)	942	3 774	4 573	(799)	11 319	(2 796)	11 729	(2 386)
- USCH	(525)	(11)	(73)	(190)	(171)	(19)	(715)	(90)	(700)	(15)
- Other P & L	[4 455]	[1 257]	(34)	529	661	591	5331	666]	[1 446]	3711
F.B.T.	5 562	(3 265)	839	4 109	4 336	(227)	9 671	(3 492)	9 885	(3 278)
WESTCHESTER	628	(148)	140	391	278	113	1 019	(35)	843	(138)
TOTAL PROFIT BEFORE TAX	16 989	(3 093)	2 432	8 472	9 668	(1 196)	25 461	(4 289)	25 963	(3 714)

2/2/73.

DOCUMENT #14

SUMMARY OF PROFITS BEFORE TAX — FOR 12 MONTHS TO DECEMBER, 1973

$ 000's		CUMULATIVE REPORTED	CUMULATIVE VARIANCE	CUMULATIVE CURRENCY	CUMULATIVE OTHER	LATEST INCOME FORECAST REPORTED	LATEST INCOME FORECAST VARIANCE	LATEST INCOME FORECAST CURRENCY	LATEST INCOME FORECAST OTHER
MOSA	- Gross Profit	70,285	18,629	19,808	(1,179)	61,790	10,134	16,981	(6,847)
	- (Expense)	(37,062)	(4,729)	(3,965)	(774)	(37,125)	(4,812)	(3,747)	(1,065)
	- P and (L) items	1,151	570	181	389	1,128	547	78	469
	N.I.B.REPORTABLE PROFIT	34,374	14,460	16,024	(1,564)	25,793	5,869	13,312	(7,443)
	- Memo items	(1,600)	(947)	(1,129)	182	(1,502)	(769)	(796)	27
	PROFIT BEFORE TAX	32,674	13,513	14,895	(1,382)	24,291	5,100	12,516	(7,416)
MOSB	- Gross Profit	5,755	1,178	1,227	(49)	5,430	853	948	(95)
	- (Expense)	(3,343)	(474)	(520)	46	(3,224)	(455)	(480)	25
	- P and (L) items	8	1	2	(1)	5	(2)	1	(3)
	N.I.B. REPORTABLE PROFIT	2,420	705	709	(4)	2,111	396	469	(73)
	- Memo items	253	228	199	29	350	325	299	26
	PROFIT BEFORE TAX	2,673	933	908	25	2,461	721	768	(47)
MSM	- Gross Profit	843	80	18	62	815	52	23	29
	- (Expense)	(777)	(121)	(10)	(111)	(729)	(83)	(25)	(58)
	- P and (L) items	4	4	4	-	4	4	4	-
	N.I.B. REPORTABLE PROFIT	70	(37)	12	(49)	80	(27)	2	(29)
	- Memo items	(25)	(23)	(19)	(4)	23	25	31	(6)
	PROFIT BEFORE TAX	(45)	(60)	(7)	(53)	103	(2)	33	(35)
MOSEP	- Gross Profit	36,190	10,264	1,129	9,135	34,600	8,674	1,036	7,638
	- (Expense)	(16,071)	(1,660)	(1,243)	(417)	(16,085)	(1,674)	(1,149)	(525)
	- P and (L) items	3,079	709	600	109	2,981	611	545	66
	N.I.B. REPORTABLE PROFIT	23,198	9,313	486	8,827	21,496	7,611	(47)	7,658
	- Memo items	3,127	4,046	4,051	(5)	3,127	4,046	4,045	1
	PROFIT BEFORE TAX	26,205	13,359	4,537	8,822	24,583	11,657	3,998	7,659
	- Gross Profit								
	- (Expense)								
	- P and (L) items								
	N.I.B. REPORTABLE PROFIT								
	- Memo items								
	PROFIT BEFORE TAX								
	TOTAL N.I.B. REPORTABLE PROFIT	60,022	24,441	17,231	7,210	49,430	13,849	13,736	113
	TOTAL PROFIT BEFORE TAX	61,697	27,265	20,323	7,412	51,488	17,475	17,315	161
	LESS: WESTCHESTER P.B.T.	2,053	1,098	849	1,098				
	P.T.L./V.T.B.L. P.B.T.	185	(208)	(194)	(14)				

Chapter 6

THE ROLE OF THE OTHER OIL COMPANIES

Most of the documentation presented in this report relates to the activities of Mobil, although there are certain references to other oil companies. Shell, for instance, imports all of Rhodesia's Avgas 100/130, which is made considerable use of by Rhodesia's air force.

OKHELA has passed over to the CSA some of the results of its investigations into companies other than Mobil. These suggest that after the years when Mobil was importing most of the principal oil products (gasoline, diesel and Avtur) into Rhodesia, the other companies became more involved in the early seventies. This was in addition to their ongoing activities in the importation of non-fuel products. **Furthermore, it seems that *all* of the companies of interest (Mobil, Caltex, Shell, B.P. and Total) are still importing oil products right up to this very month.**

We have been particularly well informed on the role of Shell. When Shell (South Africa) plan their future sales, they include in their planning tables a special category enigmatically entitled 'FS'. This stands for Freight Services Ltd.—a name which is becoming rather familiar—and is to cover purchases made by Freight Services for subsequent resale to or in Mozambique, Malawi—and Rhodesia.

In supplying oil products to Rhodesia, Shell operates through Freight Services and five other middle-men. This system has been operating for several years. Every three months Freight Services, acting on behalf of themselves and the other middle-men, send to Shell their requirements for a variety of oil products, specifying how much they estimate will be needed over the next 3 and 12 months. Their requirements for Rhodesia have averaged a fairly steady rate over the years.

The Shell companies in Southern Africa are subsidiaries of Royal-Dutch Shell, which is 40 percent British. Informed sources say the British government is quite aware of the fact that Shell (South Africa) is providing oil products for Rhodesia. But nothing has been done about this.

Shell have also been involved in a fascinating development in Rhodesia itself. Shell (Rhodesia) have built a lubricant blending plant at Willowvale, an industrial site in Salisbury. They import rail-wagons full of what is called 'base stock'—semi-processed crude—together with certain key additives. The base stock comes from South Africa, all or nearly all from the Shell refinery there. The stock is then mixed with the additives at the blending plant, to produce a variety of lubricants for road vehicles, factory machinery, etc.

The plant started operating in late 1974, and provided all of Shell's needs in Rhodesia. But there was still spare capacity available at the plant, and from early 1975 the plant has also been used to blend lubricants according to Shell specifications, which is then put into cans marked with the trademarks of Mobil, Caltex, Total and B.P. This process is cheaper than importing all the different companies' lubricants in cans or drums from South Africa, and saves on foreign exchange. For this reason the Rhodesian government has forbidden the importation of lubricants, and the companies have had no option but to go along with this scheme. This probably makes Rhodesia the only country in the world where unsuspecting motorists, responding to sophisticated advertisements, can go and buy their favorite lubricant, only to end up pouring the same old Shell product into their car engines.

Chapter 7

THE IMPORTATION ROUTES

The map on the inside back cover shows the different routes which have been available at different times for the importation of Rhodesia's oil.

Immediately after UDI, road transport was used to cross the South African-Rhodesian border at Beit Bridge. But as was explained in Section 4.1, road transport is an expensive way of bringing in most oil products. The most economical route used to be to take the products by ship from South Africa to Lourenco Marques in Mozambique, and then to take them by train to Rhodesia. Sometimes the stage from South Africa to Lourenco Marques was done by train too. Occasionally, oil products were taken to Beira by ship, either from South Africa (this was unusual) or from the Persian Gulf. From Beira they were taken by rail to Umtali in Rhodesia, and usually on to Salisbury. However, in March 1976, the Frelimo government in Mozambique imposed sanctions, and closed its border with Rhodesia, thereby ending Rhodesia's use of all these routes.

Until shortly before that time, the only other rail route from South Africa to Rhodesia involved going via Botswana, which was a particularly circuitous route for products from the two refineries in Durban. But in September 1974, a single-track rail link was completed in Rhodesia between Beit Bridge and Rutenga, making it possible for the first time for trains to cross straight from South Africa to Rhodesia.

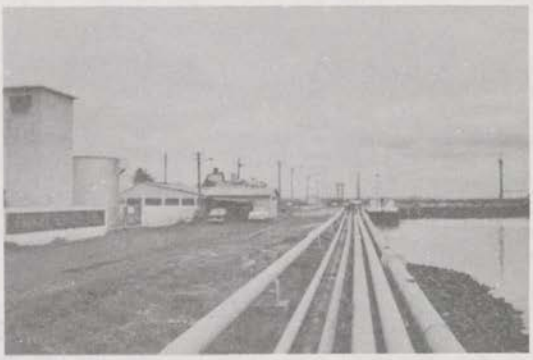
This is now the most economical route for sanctions-busting traffic. However, there is still a transportation problem for Rhodesia's minority government: the railway system in South Africa comes under government control, and does not have much slack capacity. If Vorster should want to force Smith to respond more to his will, he only has to say that the South African Railways system is getting somewhat overburdened, and might not in future be able to carry all of Rhodesia's requirements—especially its exports, which are bulkier than its imports.

The documents which we have shown do not specify which of the above routes was used for the principal fuel products, although Document #18 (see Appendix) does discuss the routing of some of Mobil (Rhodesia)'s non-fuel imports. In fact the route used for most fuel imports before Mozambican independence was via Lourenco Marques. According to Document #9, Rhodesia's projected 1973 consumption of gasoline was 1,873,000 barrels, and of diesel fuel was 1,738,000 barrels. These two total 3,611,000 barrels, or approximately 425,000 tons (at 8.5 barrels per ton). Assuming that the Rhodesian importation rate and consumption rate were approximately equal at that time, and that gasoline and diesel between them constitute two thirds of Rhodesia's total consumption of fuel products, we find that Rhodesia imported very approximately



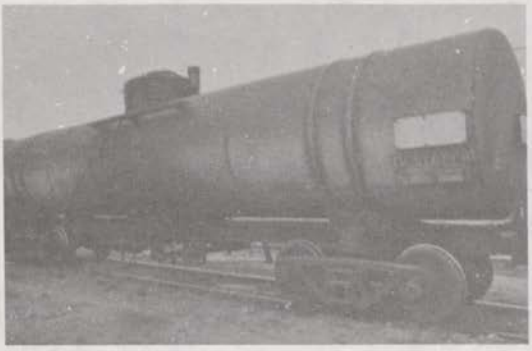
The tanker 'Mobil Durban' unloading fuel at Lourenco Marques, Mozambique, in the fall of 1974. (Note the 'Mobil' sign on the ship's funnel.) Most fuel unloaded here came from South Africa and was destined for Rhodesia.

Moving 50 yards further back, we see the same ship, and the entrance to a Freight Services Ltd. 'tank farm' on the left.





Moving another 100 yards further back, we see also a wagon belonging to Rhodesian Railways (note the sign 'R.R.'), waiting to pick up sanctions-evading imports.



An unmarked railway wagon at Lourenco Marques, in the fall of 1974. The only documentation carried on the wagon was found in the small box under the number "474225".

In that small box was found this card, revealing that the wagon contained 40777 litres of premium gasoline. Nothing indicated to whom the gasoline belonged or where it was destined for. However, the fact that the card was in English rather than Portuguese suggests that the gasoline was destined for South Africa or Rhodesia.

t/ car n.° 474225 cap. 41050

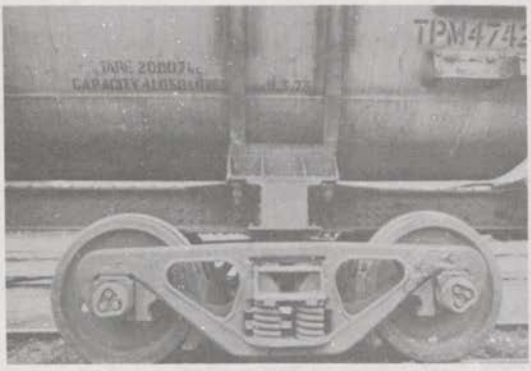
litres @ 20° C 40777

temperature: 26

SG @ 20° C 7350

product: PREMIUM

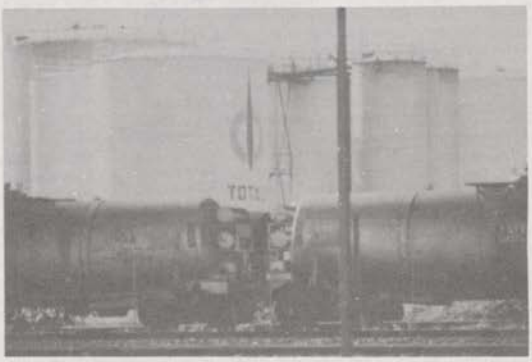
L. M. 176 — Sogra - 28888



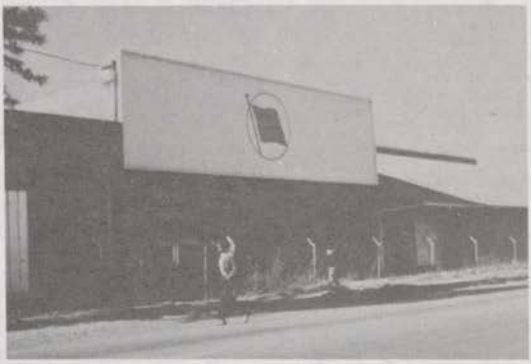
The wagon was of a type used in Rhodesia rather than South Africa. And this close-up photograph shows the give-away "R.R." (Rhodesian Railways) embossed on the bogie. The Rhodesians had obliterated all other identification marks, but had forgotten to remove this more durable one.



Rhodesian fuel wagons unloading at the "tank farms" belonging to "Total", in Salisbury, Rhodesia. Note the similarity between these wagons and the one photographed at Lourenco Marques.



More modern fuel wagons, again unloading into the Total storage tanks in Salisbury. Note the signs in English and Portuguese, making it clear that the wagons frequently go through Mozambique.



A "Freight Services" storage depot in Salisbury, Rhodesia.

650,000 tons of fuel products in 1973.

According to information given in the Observer (London) on 14 March 1976, the total quantity of oil products carried up the rail line from Lourenco Marques to Rhodesia in 1973 was 589,213 tons. Our figures strongly suggest that this flow constituted the great majority of Rhodesia's fuel imports at that time.

Chapter 8

MORE ON FREIGHT SERVICES LTD.

We have already shown how Freight Services Ltd., one of South Africa's largest shipping and forwarding companies, plays a central role in arranging the exportation to Rhodesia of oil products provided by Mobil (South Africa). Usually hiding behind the name "Minerals Exploration Ltd.", it is the only intermediary company to appear in practically all of Mobil's paper-chases. It also acts as a sort of coordinator of the other intermediary companies, arranging to do things like printing bogus invoice forms for them. Finally, it is one of the few intermediaries which is entrusted with handling the money, not just the invoices. And the quantities it deals with are impressive: the value of the oil products it buys and sells for Mobil each year would seem to run to tens of millions of dollars.

We have also shown that Freight Services plays a similar role for Shell, handling all their oil supplies for Rhodesia, and coordinating the other intermediaries.

But we can go further. We showed in the previous chapter how the great majority of Rhodesia's fuel supplies was sent from South Africa via Mozambique, prior to Mozambican independence. And investigations in Mozambique around that time suggested that *all* the oil supplies going up the railway line from Lourenco Marques to Rhodesia were handled by Freight Services. For instance, 83 fuel-filled railway wagons went up the line on the 23rd October 1974; and the fuel in every one belonged to Freight Services, according to the files in an appropriate railway office.

Given that Freight Services seem to have been the intermediary used for all the oil supplies sent to Rhodesia via Mozambique, and given that nearly all of Rhodesia's oil came via Mozambique at that time, and given that Freight Services handled all the Mobil and Shell oil products sent to Rhodesia, we have to conclude that Freight Services were also the principal intermediary used by Caltex, Total and B.P. when they sent their own sanctions-busting oil products to Rhodesia.

This leads one to ask who owns Freight Services Ltd. It turns out that before July 1975, 23.9 percent of the Freight Services shares were held by Charter Consolidated Ltd. (a British company which is part of the huge South African-based Anglo American empire); and 56 percent of the shares were held by the Anglo American Industrial Corporation Ltd. Thus the Anglo American empire, headed by Harry Oppenheimer, held almost 90 percent of the shares in a company which has, in great secrecy, acted as a crucial facilitator in enabling the oil companies to evade sanctions and provide the Smith regime with its life blood.

In July 1975 the Freight Services parent company, Freight Services Holdings Ltd., was merged with two other companies to form Aero Marine Freight Services Holdings Ltd. Control of this larger company is jointly exercised by the Anglo American Investment Corporation and the South African Marine Corporation Ltd. (Safmarine). At around that time, a new director was appointed to the board of Safmarine, namely, William Francois de la Harpe Beck—who is also Chairman and Managing Director of Mobil (South Africa), *and* Chairman of Mobil (Rhodesia)...

This caused quite a stir. It was apparently the first time that the head of a Mobil subsidiary had joined the board of a company outside the Mobil empire. It was alleged by some that there was a risk of conflict of interest; Safmarine buys vast quantities of bunker fuel for its ships, and Mobil competes with others to provide it.

But what was not publicly appreciated at the time was a much more subtle irony, namely that Mr. Beck was and is not only Chairman of both Mobil (South Africa) and Mobil (Rhodesia), but he is also on the board of the company which jointly controls Freight Services, which is the company that enables him to evade sanctions and get oil products from the one company he chairs to the other one.

Chapter 9

SOME LEGAL POINTS

We do not attempt here to carry out a definitive interpretation of the law as it applies to sanctions; we leave that to Mobil's Chairman, whom we have already quoted. The main purpose of this report is to present the facts, so that others can take them up and make use of them as seems appropriate. In this regard, it is appropriate here to quote some sections from U.S. Treasury regulations:

§ 530.201

"All of the following direct or indirect transactions by any person subject to the jurisdiction of the United States are prohibited . . . :

"Transfers of property which involve merchandise destined to Southern Rhodesia or to or for the account of business nationals thereof;

"Other transfers of property to or on behalf of or for the benefit of any person in Southern Rhodesia (including the authorities thereof) . . ."

§ 530.301

"The term "person" means an individual, partnership, association, corporation, or other organization."

§530.307

"The term "person subject to the jurisdiction of the United States" includes:

(1) Any person, wheresoever located, who is a citizen or resident of the United States;

(2) Any person actually within the United States;

(3) Any corporation organized under the laws of the United States or of any State, territory, possession, or district of the United States; and

(4) Any partnership, association, corporation, or other organization organized under the laws of, or having its principal place of business in, Southern Rhodesia which is owned or controlled by persons specified in subparagraph (1), (2), or (3) of this paragraph."

§ 530.404

"Section 530.201 prohibits persons subject to the

jurisdiction of the United States who are officers, directors, or principal managerial personnel of business enterprises in foreign countries from being involved in any transaction subject to §530.201. Such persons are involved in transactions when they authorize or permit the foreign business enterprise to engage in a transaction subject to § 530.201, even if they do not themselves actively engage in the transaction."

§ 530.405

"Section 530.201 prohibits persons who directly or indirectly own or control any person in Southern Rhodesia from authorizing or permitting the latter to engage in any transfer of property prohibited by § 530.201."

It will be noted that subsidiaries of U.S. corporations which are *not* organized under the laws of Rhodesia or which have their principal place of business outside Rhodesia—for example, a South African subsidiary— are not listed as "included" in this administrative interpretation of the Executive Order. This constitutes a major apparent loophole which is not found in parallel regulations dealing with trading with other "enemies." However, the sanctions regulations do cover Rhodesian subsidiaries, and goods of U.S. origin and U.S. citizens. The Mobil case would seem to involve all of these. It must be presumed that Mobil (U.S.A.) and/or its officers and managers had reason to know of the activities which Mobil Rhodesia was carrying on with Mobil's South African subsidiary.

Bearing in mind the evidence on sanctions-evasion that we have presented, it would appear that Section 530.404 applies to any American citizen who is a director of Mobil (South Africa) and who has knowledge of an illegal transaction.

- Everett S. Checket is an American citizen. He is a member of board of directors of Mobil (South Africa). He is also Executive Vice President (second only to the President) of the International Division of Mobil Oil Corporation, which owns Mobil (South Africa). One of the countries he is responsible for within the Mobil empire is South Africa. It is to him that William Beck, Chairman of Mobil (South Africa), has to report.

In November 1975, the Chairman of Mobil wrote the letter we have already quoted, in which he said: "The management of our International Division has gone to considerable effort to make sure that we have complied fully with the restrictions imposed upon us by the U.S. government [in connection with sanctions regulations.]"

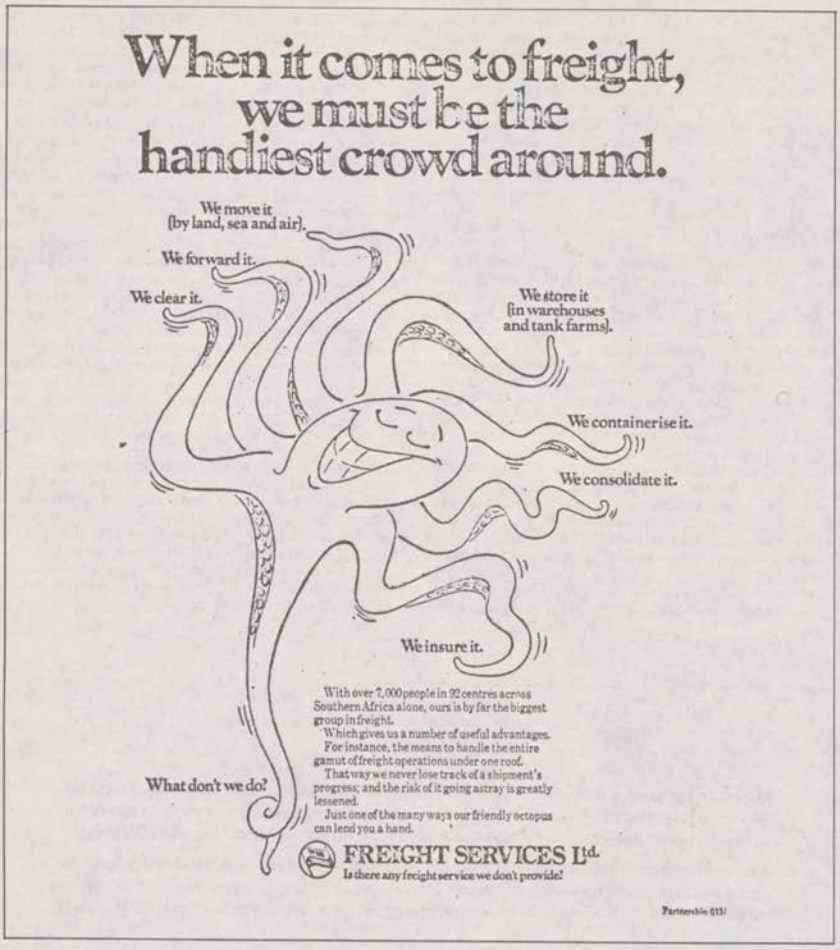
- Charles E. Solomon is an American citizen. At the time when almost all of the documents we have quoted in this report were written, he was a member of the board of Mobil (South Africa). He was also President of the International Division of Mobil Oil Corporation, *and* a member of its board.
- Faneuil Adams Jr. is an American citizen. He is Vice President of Planning in the International Division of Mobil Oil Corporation. From 1972 to 1975 he was President of Mobil South Inc. At that time he was also on the board of Mobil (South Africa), and it was to him that William Beck then reported.

It is hard to imagine that the sanctions-breaking activities of Mobil (South Africa) were unknown to its board; after all, they involved business worth tens of millions of dollars, which would normally be reported on and evaluated at board meetings. And with three U.S. citizens who are or have been directors of Mobil (South Africa) *and* very senior executives within Mobil (USA), it is difficult to see how Mobil (USA) could be said *not* to know of the sanctions-breaking activities of its subsidiary.

Oil is the one import without which the white minority regime in Rhodesia would be unable to survive. The material presented in this report, concerning the means whereby Rhodesia's oil needs have been provided, reveals the existence of a Southern African corporate Watergate.

The involvement in this whole operation by subsidiaries of Mobil, one of America's ten largest corporations, completely undermines Dr. Kissinger's stated commitment to the enforcement of United Nations sanctions as a means of bringing about majority rule in Rhodesia.

80-160 O - 77 - 22



An advertisement for Freight Services Ltd., from the (Rhodesian) Business Herald, 24 July 1975. Note the reference to their ability to store 'freight' in tank farms. There are not many commodities other than oil products that one needs to store in tank farms. . . As for their final question: "Is there any freight service we don't supply?"; the answer would appear, from the evidence contained in this report, to be no.

APPENDIX

PERSONALITIES MENTIONED IN THE DOCUMENTS

Name	Documents where mentioned	Company
Airey, D.	1, 16	Genta: Operations Manager
Atmore, E. George	1	Genta: Chairman
Baker, E.M.	16	Mobil (South Africa): board member
Bates, Tony	5, 18	Mobil (Rhodesia): in charge of product procurement, early seventies
Beard, Anne	6, 17	Village Main Distributors
Bedford, Eric,	17	Mobil (South Africa)
Buys, B.R.	17	Sasol
Cairn, T.	17	Mobil Refinery (South Africa)
Camp, R.	17	Mobil (South Africa)
Coley	16	Coley Hall, transporters
Darby	1, 18	Mobil (Rhodesia)
Dickenson	17	Semco
Dryer, T.	17	Mobil Refinery (South Africa)
Dugmore	17	Mooney Ford and Partners: attorney
Faure, Peter	4, 16	Mobil (Rhodesia)
Gallagher, C.	17	Mobil (Rhodesia)
Glover, Ron	17	Mobil (South Africa)
Gray, J.	17	Mobil (Rhodesia)
Gubb, M.H.W.	2	Mobil (South Africa)
Halamandaris, G.C.	17	Mobil (Mozambique)
Hilliard, Jack	17	Mobil (South Africa)
Isherwood, R.	17	Semco
Jackson, W.J.R.	2, 17	Mobil (Rhodesia)
Jasper, J.K.	17	Cliffe Dekker & Todd: attorney
Legge, C.	17	Mobil (Rhodesia)
Mackenzie	1	Mobil (Rhodesia)
Maskew, R.H.	16	Mobil (South Africa)
Meier, R.G.	5, 17	Freight Services Ltd.
Milne, E.	17	Mobil Refinery (South Africa)
Morris, Arthur R.	5, 17	Freight Services Ltd.: Manager, Foreign Trade Division
Nicol, J. Berwick	1, 18	Mobil (Rhodesia): Managing Director
Oberholzer, A.J.	17	W.T. Development; and Oberholzer & van Straaten: lawyer
Oxenham, R.	17	Mobil (South Africa)
Patrick, David D.	4, 17	Rand Oils
Phear, Stephen C.	6	Mobil (Rhodesia)
Preston, F.	17	Mobil (Rhodesia)
Russell, G.	17	Mobil (Rhodesia)
Soloman, G.	17	Caritas
Steyn, M.C.	17	Sasol
van Niekerk, Richard	4, 16	Mobil (Rhodesia): in charge of product procurement before Bates
Ward, Ralph	16	Wards Transport
Ward, Warrick	17	Mobil (South Africa)
Wilsen, F.T.	18	Mobil (Rhodesia)
Winkleman, R.	17	Consolidated Stevadoring & Forwarding Agency
Wyeth, K.A.	18	Mobil (South Africa) and Mobil (Rhodesia), at different times.

Letter from Chairman Warner of Mobil Oil Corporation

DOCUMENT #15

Mobil Oil Corporation

150 EAST 42ND STREET
NEW YORK, NEW YORK 10017

RAWLEIGH WARNER, JR.
CHAIRMAN OF THE BOARD

November 13, 1975

Fr. Robert C.S. Powell
Director
National Council of the
Churches of Christ
475 Riverside Drive
New York, N. Y. 10027

Dear Father Powell:

This will acknowledge your letter of October 29, 1975, inquiring about Mobil's operations in Rhodesia. I am happy to provide you with the information that you have requested.

Affiliates of Mobil have been marketing products in Southern Rhodesia since prior to World War II. Our present Rhodesian affiliate, Mobil Rhodesia, was incorporated there in 1963. At the time Rhodesia declared its independence in 1965, Mobil Rhodesia was marketing principally automotive gasoline, kerosene and automotive diesel oils, together with small quantities of other related petroleum products. Total sales at that time were considerably less than one million barrels per annum. The source of the fuel products sold by Mobil Rhodesia at that time was the Central African Petroleum Refineries (CAPREF) at Umtali, in which Mobil had a 17.75% interest.

Following the declaration of independence, two unrelated sets of governmental regulations brought about a radical change in the method of operation. Within Rhodesia, the Rhodesian Government subjected all petroleum companies operating within the country to a stringent set of controls which required them to secure all of their product requirements solely from a government agency. At about the same time, the U. S. Government imposed certain prohibitions on transactions by companies like Mobil and its affiliates with Southern Rhodesia which had the effect of prohibiting the Mobil group of companies from engaging outside Rhodesia in any transactions involving goods originating in Rhodesia or goods destined for Rhodesia or from engaging in any transactions in which Rhodesians had an interest. The U. S. Government regulations very carefully did not prevent us from continuing our ownership of our Rhodesian affiliate so long as we observed the restrictions which I have described above. These two sets of governmental restrictions have continued to the present time.

As a result, Mobil continues to own the stock of Mobil Rhodesia and its interest in the CAPREF Refinery. However, neither Mobil nor its other affiliates engage in any business transactions with either of these companies and, as a practical matter, has no control over their operations. This applies to Mobil's affiliates in South Africa as well as all other Mobil affiliates. The management of our International Division has gone to considerable effort to make sure that we have complied fully with the restrictions imposed upon us by the U. S. Government in this connection.

I hope the foregoing information will be of assistance to you.

Very truly yours,

Rawleigh Warner, Jr.

Rawleigh Warner, Jr.

Letter from Richard van Niekerk of Mobil (Rhodesia) to R.H. Maskew of Mobil (South Africa)

DOCUMENT #16

c.c. Mr. P. Faure.
c.c. Genta File.

2nd September, 1968.

R.H. Maskew, Esq.,
Mobil,
Cape Town.

Dear Mr. Maskew,

Further to our discussions of last week we enclose herewith three Flow Diagrams covering the arrangements that we have put in hand for the procurement of gasolines, diesel and lubricating oils.

A.D.O.

When we talked on the telephone the other day we mentioned that the addresses for Botswana Carriers and Botswana Transport should be, P.O. Box 1101, Johannesburg; since talking to you, I have obtained the concurrence of Messrs. Coley and Ward respectively for the use of their organisations' names. Rather than use P.O. Box 1101, Johannesburg for both accounts we deem it advisable that you should use a different address for Botswana Transport; the full address that we propose that you use is recorded on the Flow Diagram. If you are able to think up a suitable third name for invoicing purposes, we ask that you kindly record that name on the Flow Diagram and advise us of the organisation involved. It will be necessary to prepare invoice pads for that organisation so that they might be able to re-invoice Rand Oils with the volumes invoiced to them by MOSA (from the flow on the right hand side of the chart) and from Botswana Carriers to be re-invoiced to Minerals Exploration (from the flow on the left hand side of the chart).

Peter Faure is thoroughly au fait with these arrangements and it would be necessary for him to write to the organisation that you propose using, spelling out what it is that we want of them.

The important feature of this plan is that the original billings by MOSA to the two or three organisations in the top line and the subsequent re-billing by those organisations to the second line and ultimately the third re-billings by the second line to the third line are, to all intents and purposes, meaningless and are merely our false trail being laid. The important and action document is the copy of MOSA's invoice which will flow along the dotted line direct to Minerals Exploration; that is to say that when MOSA bills Botswana Carriers a duplicate of that invoice is to be mailed in a sealed envelope direct to Minerals Exploration, Bramfontein.

On receipt of this duplicate, Minerals Exploration will type onto their invoice pad the same information billing Genta, c/o the Netherlands Bank. Minerals Exploration will, some weeks later, receive an invoice via Western Transvaal Development, if we follow the centre column of the Flow Diagram, containing precisely the same information as was contained on the duplicate which they received and billed Genta. Since the Western Transvaal development invoice will carry the same number as the duplicate from MOSA there will be no risk of duplication; as an additional safeguard, Minerals Exploration have been instructed to ignore invoices flowing to them from the intermediaries but to bill only on duplicates received from MOSA direct.

MOSA's two or three statements billing Botswana Carriers, Botswana Transport and the third account are to be sent direct to Minerals Exploration in a sealed envelope, they will in turn mail these documents to us and we will conduct a reconciliation of the accounts here.

DOCUMENT #16 (cont)

Payments

Genta will have authorised the Netherlands Bank to pay from their revolving Letter of Credit, invoices rendered to them by Minerals Exploration Co. in respect of Supplies of Mobil Diesel. On payment of such invoices by the Bank, they will forward the invoices to Genta who will conduct their own reconciliation of withdrawals from their revolving Letter of Credit. A duplicate of Minerals Exploration invoice will be mailed to MOSR for statistical purposes.

This payment procedure will greatly speed up the ultimate receipt by your goodselves of payments and we foresee therefore, a substantial reduction in the T.A.R. as presently reflected against Anglo American's number two or development account.

You might consider that the procedure that we have adopted is unduly complicated and unnecessary, but as was conveyed to you when you were here, it is the wish of George's people that we involve and complicate this matter to a far greater degree than pertains at present in the hope that it will discourage an investigation.

Gasolines

The principle as expounded in detail under A.D.O. above applies to Gasolines and we have received Sasol's concurrence hereto.

They will from the commencement of their September Accounting Month open three trade accounts, one each in the name of Rand Oils, Minerals Exploration and Western Transvaal Development and Exploration Company, billing these three organisations on a rotational basis. In turn the accounts billed will re-bill as is depicted on the diagram and ultimately Minerals Exploration will receive a billing for the gasoline which passes from Sasol to us.

Sasol have agreed to create as an action document a duplicate of their original billing passing this direct to Minerals Exploration. Minerals Exploration will then bill Genta c/o the Netherlands Bank and pass a copy of Sasol's invoice to us for statistical purposes. The payment route will be as for A.D.O. whereby Minerals Exploration will be paid by the Netherlands Bank from funds held under a revolving letter of credit issued by Genta; as such payment to Sasol will be made at more frequent intervals than hitherto and in turn payments from Sasol to you should be speeded up.

Lubricating Products

We have obtained Semco's Agreement to our opening a number 3 account in their name at the address of their Attorneys. The Attorneys will receive the original billing from MOSA together with a copy of a loading note. On receipt of these documents they will type onto a Semco invoice pad a simplified version of the contents of MOSA's original invoice, billing on a rotational basis, Rand Oils, Village Main Distributors and Western Transvaal Development. The MOSA invoice will then be mailed in a sealed envelope to Minerals Exploration. This latter organisation will then on their invoice pad bill Recom of Rhodesia extracting the detailed information from the Mobil invoice, and of course, giving their invoice the same number as MOSA's. In the same way as we described for A.D.O. ultimately an invoice will come to Minerals Exploration from one or the other of the intermediaries quoting the same number as the invoice that has come to Minerals Exploration along the direct route but this will be ignored by Minerals Exploration since they will have already billed Recom.

Semco's handling charges will be raised on a separate debit by the legitimate Semco organisation from the information contained on the loading note which will have passed from the Semco number 3 set-up to Semco.

DOCUMENT #16 (cont)

Payment

One of the disadvantages which both yourselves and ourselves have had to contend with under the old set-up was the delay in the receipt of payment from Semco by yourselves and the numerous accounting discrepancies which occurred when Semco re-invoiced us. Under the proposed method it will be we who conduct the reconciliation of the Semco number 3 account and will have a direct control over the payments being made against that account. Under the present arrangements we pay Semco on receipt of goods, but we know, that they delay up to 90 days before passing these payments to you. Under our proposed arrangements we will continue to pay via Minerals Exploration to the Durban Attorney on the receipt of goods, as this payment will be made into the Attorney's trust account and accompanied by full details of what is being paid he will be obliged to pass the funds to MOSA promptly. This proposal therefore, excludes Semco's accounting organisation entirely from this procurement programme, but does not in any way alter the procedure as applied to the physical aspect of the transactions. Semco in Jacobs will continue to receive consignment details of trucks, they will be responsible for the customs clearing of same and consigning; they will also continue to be responsible for mailing to us promptly such customs documents as are necessary to facilitate customs clearances at the destinations. In view of what Mr. Baker had said about the continued satisfactory relationship between Semco and yourselves we did not broach the subject of handling charges but left this matter on the same basis as hitherto.

Service Charges

It has been necessary to commit ourselves to make payment to certain of the organisations who are acting as intermediaries and we list below the relative charges that we have incurred:

Rand Oils	R20 per month
Western Transvaal Development and Exploration Company, P.O. Box 677, Lichtenburg.	R26 " "
Minerals Exploration.	To be advised.
Botswana Carriers.	No charge.
Botswana Transport.	No charge.
Semco Number 3 Account, conducted by Mooney, Ford and Partners, Durban.	To be advised.

As Messrs. Minerals Exploration and Mooney Ford, in that order will have the greatest amount of retyping and re-directing to do we expect their charges to be rather more than the nominal figures quoted to us by Western Transvaal Development and Rand Oils.

When we have had an opportunity of assessing our annual involvement in service charges we will if we consider it necessary, make representation to Genta for some relief.

We trust that the Flow Diagrams and the foregoing is sufficiently explicit, but if there are any points on which you require clarification please revert.

Billings to Genta

You will recall that in June I made representations to you with the request that the abnormal freight element be included in monthly billings to Genta rather than be the subject of a separate debit.

On the 27th June your people wrote to Mocambique, reference MCVN/EC Code WC8-5600C, advising Mocambique that with effect from the July accounting month the billings to the various organisations would be as follows :

DOCUMENT #16 (cont)

Jet Fuel	10.6	South	African	cents	per	gall.	
Diesel	8.3	"	"	"	"	"	
Premium Gasoline	10.3	"	"	"	"	"	
Regular Gasoline	8.6	"	"	"	"	"	.

On receipt of this copy letter we informed Genta of the July charge-outs and it was only some considerable time later that the Sasol billings started coming into us at .1 of a cent higher than we had anticipated.

We were vaguely aware that Sasol was receiving remuneration for their service but expected the service fee to have been included in the figures advised by you to us as being the applicable charge-outs. This contention is reinforced by the telex which came from Cape Town on the 12th August, 1968 :

"09309 09951 FOR VAN NIEKERK AUGUST CHARGE OUTS
PREMIUM 10.3 REGULAR 8.5 JET 10.7 A.D.O. 8.4 ALL
S.A. CENTS PER IMPERIAL GALLON 56000"

This same information was communicated to Genta and we have been recovering .1 cent per gallon less than Sasol's billing to us.

The upshot of all this is that we have under-recovered for July billings to the extent of 565.90 Rand, and as we no longer enjoy any service charge against which we could debit this amount we write to ask that you bear the Sasol service charge.

We are not able to raise our billings to Genta since this would mean that we were at a higher level than others.

When you have given us your decision in this regard we will revert with full details of the under-recoveries quoting the appropriate Sasol invoices.

Supply Sales Premium vs. Regular

As was communicated to you on the telephone on Friday morning we have held further discussions with Genta here on this matter and they are aware that we are going back to Shell with an offer to accommodate them at L.M. for Regular. If Shell refuse this offer there will be no justification for Genta favouring them on Premium at our expense.

Airwy has tentatively agreed that the procurement programme could be adjusted in October to re-allocate the premium to us if the accommodation arrangement can be implemented by them.

Dealing briefly with the question of our, and others, being unable to supply Premium from L.M. for a period of 3 weeks, Airey has said that his people in Lourenco Marques are, to a large extent, ignoring the procurement programme and purchasing Premium where they are able to get it because the programme has fallen more than 1½ million gallons in arrear. May we suggest that you, if your replenishment programme can be organised to cater for additional offtake, instruct your Lourenco Marques people to make an offer to the appropriate organisers in Lourenco Marques for whatever volume you can spare in excess of our normal commitment.

Looking forward to hearing from you, with kind personal regards.

Yours sincerely,

Richard van Niekerk.

Mobil (Rhodesia) Memorandum describing importation paper-chases.

DOCUMENT #17

CONFIDENTIAL

PRODUCT PROCUREMENT

Situation:

When orders for lubricants and solvents are placed on our South African associates, a carefully planned "paper chase" is used to disguise the final destination of these products. This is necessary in order to make sure that there is no link between MOSA and MOSR's supplies.

What happens is this :-

MOSR places orders for lubes and greases on Chemico through Warrick Ward in Central Region. MOSA then sell to Chemico who in turn supply MOSR.

The order is billed and consigned by MOSA to Chemico No. 3 Account with the Durban attorneys, Mooney Ford, and Partners' box number. Mooney Ford and Partners then make out two debits; the first of these is to Mineral Exploration (Freight Services) and the other to either :-

Rand Oils
Village Main Distributors, or
W.T. Development

who in turn circulate it to the other (e.g. Village Main Distributors debits Rand Oils) before it finally again comes to Mineral Exploration. Mineral Exploration act on the first advise and debit Recom of Rhodesia (MOSR). Payment is made by MOSR to Chemico No. 3 account through Mooney Ford and Partners.

A similar set up, but using different parties is used for the procurement of solvents.

This "paper chase" which costs very little to administer, is done primarily to hide the fact that MOSA is in fact supplying MOSR with product in contravention of U.S. Sanctions Regulations.

Recommendation:

It is recommended that no attempt be made to change the present procurement set up, because:-

1) The cost is minimal
2) It is not too cumbersome
3) It is working efficiently, and
4) Any risks resulting from a change in the system would be bourne by MOSA and we should therefore leave it up to them to reduce the extent of the "paper chase" if they deem fit.

DOCUMENT #17 (cont)

PRODUCT PROCUREMENT

CONTACTS

Mobil

Northern Region	:	Ron Glover
Central Region	:	Warrick Ward
		Jack Hilliard
Cape Town	:	E. Bedford
		R. Camp
Refinery	:	(only approached through Central Region)
		E. Milne
		T. Dryer
		T. Cairn
L.M.	:	G. C. Malamandaris (through R. Glover, E. Bedford, R. Camp)

Other

1) Freight Services, P.O. Box 1101, JOHANNESBURG	:	A.H. Morris or H.G. Meier
2) Village Main Distributors, P.O. Box 324, Bryanston	:	Mrs. Anne Beard
3) Rand Oils, P.O. Box 2561, JOHANNESBURG	:	David D. Patrick
4) Western Transvaal Development, P.O. Box 396, LICHTENBURG	:	A.J. Oberholzer, who is a lawyer
5) Semco	:	R. Isherwood and Dickenson, the coloured truck despatcher
6) Caritas, P.O. Box 8873, JOHANNESBURG	:	G. Soloman
7) Consolidated Stevedoring & Forwarding Agency, P.O. Box 3 Point, NATAL	:	R. Winkleman
8) Cliffe Decker & Todd, P.O. Box 3382, JOHANNESBURG	:	Attorneys contact Mr. J.K. Jasper
9) Mooney, Ford & Partners, DURBAN	:	Attorneys contact Mr. Dugmore
10) Sasol	:	M.C. Steyn or B.R. Buys
11) Minerals Exploration	:	read Freight Services.

DOCUMENT #17 (cont)

The above plus others, as applicable, are sent lottery tickets at Christmas with a letter of appreciation.

I. REFINED PRODUCTS (excluding solvents and some aviation)

On the face of it, it is a straight transaction between ourselves and Genta. Product is received from them based on our stock from our Depot stock - levels as provided by Mr. J. Grey and he liases with Genta on Product Movement. The product is received by Depot at 20°C and these quantities are used for payment purposes. There are, however, additional aspects to this:-

(a) Genta Allocation - Genta allocates to Mobil the importation of Premium, Regular, ADO, and Avtur. Avtur is imported on behalf of Industry despite frequent attempts by Shell to stop this; they claim product contamination etc. This is resolved by a sample to them from each batch. While Mobil imports Avtur, other companies import kerosene avgas etc. Genta makes these allocations every four months and we send our allocation figures to Mr. H. Bedford, who informs S & D who in turn liases with the Genta agent.

(1) Petrol - The attached schedule shows the method whereby Genta is debited by Moref. You will note that there are three 'agents':-

A. Rand Oils
B. W.T. Development
C. Minerals Exploration.

Rand Oils and W.T. Development are purely a "paper-chase" and Minerals Exploration debits Genta at Rhodesian Mission, Maritime House, Johannesburg.

(2) ADO - Moref debits the Motor and Industrial Transport using the Minerals Exploration box number; Minerals Exploration in turn debi Genta in the same way as petrol.

(3) Avtur - Genta is billed direct by Freight Services.

II AVIATION REFINED

(a) Avgas 115/145 for Air Trans Africa ordered by telex on Ron Glover of Northern Region for onward transmission to L.M. Glover advises details on availability etc. to Moar. Moaa debits either Trek or Carib, who debits Genta in Johannesburg. Payment by Moaf to Genta is done on the same basis as Refined above.

3/ .....

DOCUMENT #17 (cont)

(b) Avgas 80 as per (a) above
(c) Avgas 100/130 imported from Shell by Genta. Our supplies are obtained Ex Genta.

III SOLVENTS

These are obtained from :-
(a) Toluol and Xylol Ex ISCOR and paid for via ISCOR, Bulawayo.
(b) Petropine and White Spirit Ex Mabet Evans Durban and paid for by Bank Draft.
(c) Others Ex Northern Region via Freight Services Plascon account.

Product is mainly in bulk.

IV WAXES AND PETROL ASTMS

Indents are dependent upon:-
(a) Import allocations
(b) Forward requirements as determined by Commercial Department.

Orders are initiated against:
Richard Daggit
AGL (Alan Wack & Shepherd)
Highfield Agencies
D.L. Petroleum
Semco (Moref)

The above are asked for prices, availability, technical details etc. and in the case of AGL, depending on agents response, they are asked to contact their agents. Should a quote be acceptable, an Agreement of Sale is entered into and the agent instructed; insurance taken out; import permit and order issued etc. All the above agents are paid locally except AGL on a Letter of Credit and Semco on a Bank Draft.

V ASPHALTS

(a) Industrial : These are obtained Ex Moref by Semco. A telex or phone call is made to W. Ward giving particulars and asking for details.
(b) Road Making : These are obtained Ex Genta in the normal way in which Genta is dealt with.

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DOCUMENT #17 (cont)

VI SPECIAL PRODUCTS

Examples wax emulsions, white oils etc. The initial approach is made by letter or telephone to Northern Region (Glover), Central Region (Ward) or Cape Town (Oxenham) for prices and availability. A permit is applied for, if necessary, dependent on product and an order is passed on either Freight Services or Caritas.

Mr. Legge is responsible for placing the orders which are initiated on the advise of Mr. Jackson.

VII LIQUID PETROLEUM GAS

L.P. Gas is obtained from Genta (who obtain it Ex Sonarep and Sasol). Mr Legge is responsible for the orders which are made according to stock levels.

VIII L.P. GAS EQUIPMENT

These can be divided into :-

(a) Local Manufacture e.g. Masaruh

(b) Imported items which are currently Gadas equipment, and Northern Region (via Caritas) for Kosangas regulators.

This function is controlled by Mr. Gallagher.

Orders for L.P.Gas equipment require import licences and the volume of import is therefore regulated. Mr. P. Preston is responsible for keeping interested parties informed of the level of currency allocations.

IX OILS AND GREASES (Moreof Manufacture)

The indent for these is done by Mr. Legge. The procedure is to do a firm indent by product, pack and destination monthly and against this supplementary indents can be made. In addition anticipated future months indent is done purely for refinery planning purposes. This indent is controlled by Mr. Legge in collaboration with W. Ward (Central Region). The indent is billed and consigned by Mosa to Samco No. 3 Account with the Durban Attorneys, Mooney Ford, box number. In regard to the billing Mooney Ford write out two debits; the first of these is to Minerals Exploration (Freight Services) and the other either to :-

Rand Oils

Village Main Distributors

W.T. Development

who in turn circulate it to the other (e.g. Village Main Distributors debit

5/ .....

DOCUMENT #17 (cont)

Rand Oils) before it finally again comes to Minerals Exploration. Minerals Exploration act on the first advise and debit Recom of Rhodesia. This is either addressed to P.O. Box 39, Southerton or alternatively delivered to Moor by hand, marked for the attention of the writer. Payment is made to Sembe No. 3 Account (Mooney Ford) due to previous delays encountered when Freight Services were paid and then Mooney Ford.
Mr. Legge is responsible for all orders.

X AVIATION OILS

The stock position is reviewed by C. Legge and G. Russell. G. Russell then decides on order quantities and writes to E. Bedford requesting availability, prices etc. On receipt of this information the necessary documentation is prepared and the product obtained via Caritas.

XI BRAKE FLUIDS AND DETERGENTS

These are obtained locally by Mr. C. Legge. The former Ex Pfizer and the latter from Chemical Services.

XII HYDRAULIC FLUIDS

These are obtained Ex Moref via Caritas.

Mobil (Rhodesia) Memorandum concerning importation routes - selected pages only

DOCUMENT #18

STRICTLY CONFIDENTIAL 14th June, 1971.

Mr. Nicol
Mr. Wyeth
Mr. Darby
Mr. Wilson
Mr. Bates

PROCUREMENT ROUTES

1. OBJECTIVE

To consider the alternative procurement routes available to us with a view to ascertaining which is the most economical, and which one to utilise should the most economical route be closed to us.

2. ROUTES

There are three routes which we could utilise at present.

2.1. Road transport in bulk to Bulawayo and Salisbury.
2.2. Rail via Botswana to destinations in Rhodesia.
2.3. East Coast shipping to Lourenco Marques and Beira, and rail to destinations in Rhodesia.

For the purposes of this study Bulawayo and Salisbury shall be the only destinations to be considered, as they are usually the base depots from where product is re-routed to other destinations.

No account is taken of the planned new rail link via Beit Bridge and Rutenga as any estimate of rail rates on this line would be pure conjecture.

3. ASSUMPTIONS

It is assumed that there will be no change in the current sanctions position in the foreseeable future, and that the Feruka Refinery will remain out of action.

4. Lubricating Oils

At present lubricating oils are transhipped from Durban to destinations in Rhodesia by road in bulk (51%), and by rail (via Botswana) in drums (49%). Only the faster moving lubricating oils are transhipped in bulk; but they do comprise the majority of our purchases.

/ ...

DOCUMENT #18 (cont)

4.1. Road Transport in bulk to Bulawayo and Salisbury (see attachment 2).

4.1.1. The present cost of moving lubricating oils in this manner is:-

Durban/Salisbury 3.7633 cents per litre
Durban/Bulawayo 2.8990 cents per litre.

4.1.2. Our road transport operators have, however, indicated to us that they wish to increase these prices in the near future. The proposed new prices are:-

Durban/Salisbury 3.9595 cents per litre
Durban/Bulawayo 3.4096 cents per litre.

4.2. Rail via Botswana in drums to Bulawayo and Salisbury.

4.2.1. Durban/Salisbury 5.7107 cents per litre.
4.2.2. Durban/Bulawayo 5.0567 cents per litre.

4.3. East Coast shipping to L.M. and Beira, and rail from port to destination in Rhodesia. (See attachment 1).

4.3.1. Durban/L.M./Byo.

Ocean Freight etc	1.7023 cents per litre
Railage	3.7659 cents per litre
	5.4682 cents per litre

4.3.2. Durban/Beira/Salisbury:

Ocean Freight etc	2.1469 cents per litre
Railage	2.9912 cents per litre
	5.1381 cents per litre

To these prices must be added any agency fees which we would have to incur through using this route.

4.4. Recommendation for Procurement Route of Lubricating Oils.

DESTINATION	ROAD (BULK)	RAIL (DRUM)	EAST COAST (DRUM)
DURBAN/SALISBURY	3.7633 (3.9595)	5.7107	5.1381
DURBAN/BULAWAYO	2.8990 (3.4096)	5.0567	5.4682
(PROPOSED NEW RATES IN BRACKETS)			

DOCUMENT #18 (cont)

4.4.1. Lubricating Oils at Present transhipped in Bulk.

As can be seen from the above, transhipping costs are lowest when lubricating oils are transported by road tank wagons in bulk. This is our present route of supply for the majority of our lubricating oils and it is recommended that we continue using this route for as long as we are able to secure the necessary Road Transport Carriers certificates.

If at some time in the future we are unable to utilise this route due to the withdrawal of our certificates, the rail route via Botswana should be used to supply Bulawayo, and the East Coast route via Beira to supply Salisbury. (The use of the east coast route is of course dependent on there being no adverse security or publicity risk involved.)

4.4.2. Lubricating Oils at Present imported in Drums.

We at present import the slower moving oils in drums by rail via Botswana.

We recommend that this route be retained for supplies consigned to Bulawayo, but believe that supplies destined for Salisbury should use the East Coast route (if security considerations allow this).

5. LUBRICATING GREASES

At present all lubricating greases are transported by rail via Botswana to Salisbury and Bulawayo. (Greases can only be transhipped in drums).

The alternative routes and costs for transhipping greases are:-

5.1. By Rail via Botswana to Bulawayo and Salisbury.

5.1.1. Durban/Salisbury	6.6625 cents per kg.
5.1.2. Durban/Bulawayo	5.8995 cents per kg.

5.2. East Coast Shipping to L.M. and Beira, and Rail to destination in Rhodesia.

5.2.1. Durban/L.M./Bulawayo	6.3796 cents per kg.
5.2.2. Durban/Beira/Salisbury	5.9945 cents per kg.

5.3. / ...

80-160 O - 77 - 23

DOCUMENT #18 (cont)

ATTACHMENT 1.

NON-FINANCIAL CONSIDERATIONS.

1. Lubricating Oils and Greases

In the early 1960's the East Coast route via Lourenco Marques and Beira was used to supply points in Rhodesia. This was changed (prior to U.D.I.) for the following reasons.

1.1. There were considerable delays on this route, delays which are not experienced when the rail route is used.

1.2. The incidence of damage to product on this route was high.

1.3. For supplies destined for Bulawayo the rail route was more economical.

With U.D.I., it became necessary to impose certain security restrictions so as not to link Mobil South Africa with Mobil Rhodesia. The East Coast route was, therefore, overlooked for the following reasons:-

1.4. It was easier to have one purchasing agent in South Africa (SEMCO) with whom to deal, rather than having a purchasing agent in South Africa and forwarding agents in Lourenco Marques and Beira. (Note: The additional agency charges would not significantly affect the economics of the East Coast route).

1.5. With the East Coast being under heavy surveillance it was considered undesirable to have Mobil drums stacked at Mozambique ports, even though the names on the drums had been painted out.

1.6. Mobil in Lourenco Marques and Beira would have nothing to do with such arrangements.

The points mentioned above still pertain today and should be considered when deciding on supply routes.

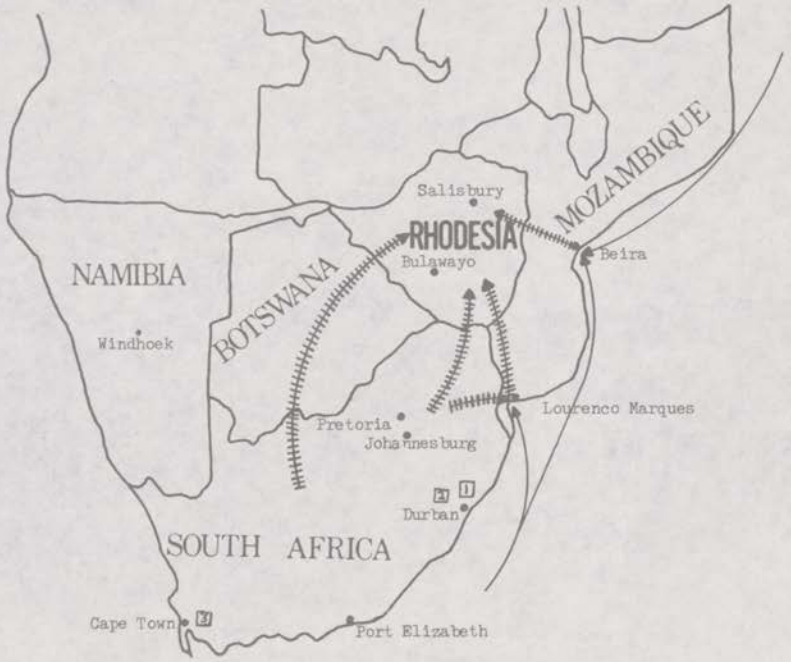
2. Industrial Bitumens

Until fairly recently the supply route for industrial bitumens was via Lourenco Marques. This was because our purchasing agent was African Bitumen Emulsion who were invoiced in Lourenco Marques. Freight Services in L.M. would then take over on this invoice and rail the product to Salisbury or Bulawayo.

No.

ABE was merely an adopted "selling A/c" used by MOBILREP Freights Services as the Purchasing + Forwarding agents.

SOUTHERN AFRICA

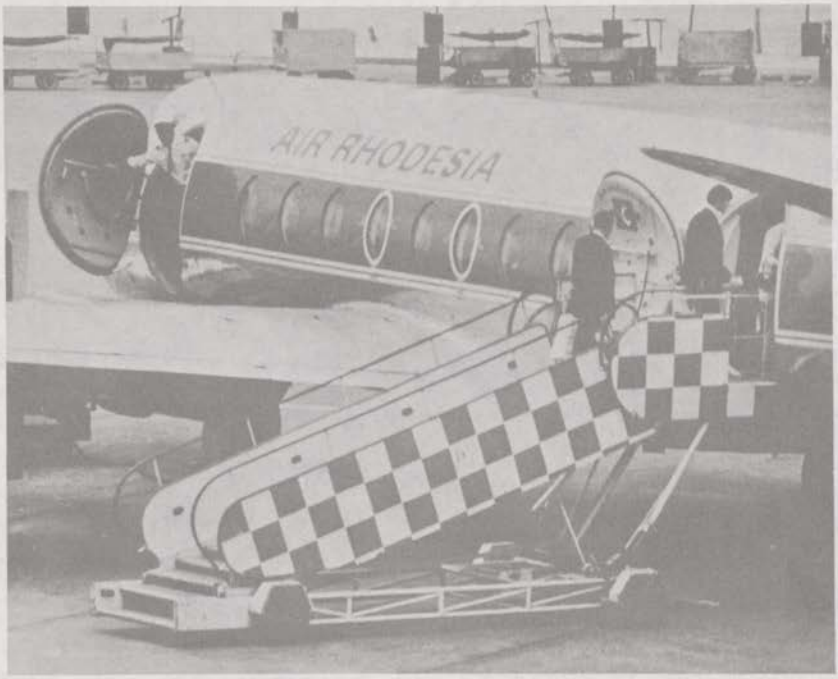


Principal foreign oil refineries:

1. Mobil
2. Shell and B.P.
3. Caltex

Routes whereby oil products have reached Rhodesia:

- by ship from South Africa to Lourenco Marques (and occasionally Bèira), and then by train to Rhodesia
- by train from South Africa via Lourenco Marques to Rhodesia
- by train from South Africa through Botswana to Rhodesia
- by train from South Africa direct to Rhodesia (since 1974 only)
- by road from South Africa direct to Rhodesia
- from the Persian Gulf to Beira, and then by train to Rhodesia



An aircraft belonging to Air Rhodesia, powered by aviation fuel probably imported by Mobil.

Senator CLARK. Reverend Schulz, simply and succinctly as if you were talking to someone who never heard of this issue before, would you just take 3 or 4 minutes to tell us what this is all about? Suppose I never read any newspaper articles, what is your point? What are you trying to tell us in the most basic way?

Reverend SCHULZ. About what?

Senator CLARK. About this issue you are testifying on this morning. What are your allegations against the Mobil Oil Corp. and what is the evidence for it and what is the significance of that, in terms of illegality or in terms of American foreign policy as you view it? What has happened here that you are concerned about?

Reverend SCHULZ. The Mobil-Caltex situation regarding possible violations of Executive orders, is just part of the concern which we have regarding southern Africa, primarily now Rhodesia, South Africa and Namibia, each country with strong black majorities governed and controlled by white minorities.

We are very concerned about the human conditions which exist in these countries, about the impossibility of self-determination on the part of the majority people of those countries. In my written statement, there is considerable documentation of our reasons regarding why we are concerned.

Obviously, our expertise is in the area of moral and ethical issues. I happen to feel we have other expertise by the fact that we have been involved in those countries for a century and a half, through our mission work. We have been there. We have studied the situation there very closely; but our expertise is moral and ethical in relation to the human conditions in those countries.

Our position is that U.S. corporations have contributed to maintaining the oppressive conditions which exist in those countries and that even though they talk about increasing wages and better working conditions, it in fact locks in the oppressive control of the white minority in those countries.

Senator CLARK. I think I didn't make my question very clear. Let me state it differently. You have published a document "The Oil Conspiracy," which will be made a part of the record following your prepared statement, an investigation of how multinational companies provide Rhodesia's oil needs. What is this all about? [See p. 299.]

Would you tell us just in the simplest terms? If someone were to walk into this committee room and say what is this fellow talking about, what are the allegations against the Mobil Oil Corp.? Would you tell us what evidence you have for it, what your point is with regard to this narrow issue, not the broader issue, but this particular issue? What is your point?

Reverend SCHULZ. Our point is that Rhodesia declared unilateral independence. We believe that the U.N. Resolution 232, which was adopted following that unilateral declaration of independence, calling on countries to refrain from trading with Rhodesia, was a legitimate attempt on the part of most of the countries of the world to attempt to deal with what I would refer to as an illegal regime in Rhodesia.

Subsequent to that time, the United States, though Executive orders signed by President Johnson in 1968, prohibited any type of trade

with Rhodesia. We believe that the Executive orders were written at that time to agree with the United Nations resolution. Since that time, however, we are aware that Rhodesia has continued to exist, and for that matter thrive.

Some of us for a number of years have wondered where they have obtained their supplies of oil because they could not produce oil. In fact, the one refinery that existed there is closed.

During the time when Mozambique was under Portuguese-colonial rule, we were aware of the fact that oil supplies could get through that way. We understood the supply routes through our informants. But following independence for Mozambique, we began to try and develop an understanding of what the process was for oil getting to Rhodesia. All of their needs are taken care of.

The charts in this document indicate that as the years went by, their needs have increased, and the supply has increased. So when I received a phone call this spring from someone who identified himself with an organization with which I was familiar and indicated that they had some documents that might be of interest which might disclose the way in which oil was getting to Rhodesia, I indicated interest. I received the documents, which I still have. They are in a safe in the office.

Senator CLARK. Are they published?

Reverend SCHULZ. Most of them, not all of them. Incidentally, Mr. Chairman, we have a much cleaner copy than the one you have there. I don't know if it has been handed to you or not.

When I received the documents, I looked at them. It became apparent to me, on the basis of what I know about the situation in southern Africa, that what was described in the documents was in fact a rather highly sophisticated process whereby petroleum products were being shipped through, what I would refer to, as paper corporations, from South Africa to Rhodesia.

We believe that the documents clearly prove that Mobil South Africa was involved in this process, along with Caltex—and we don't have the documentation on Caltex that we do on Mobil—British Petroleum Co., Royal Dutch Shell, and Total. They supply oil to GENTA, which is a governmental agency in Rhodesia set up to receive oil, which in turn makes it available to the companies' oil stations, and retail outlets in Rhodesia.

These documents provided us with information which let us know how, in fact, petroleum products were getting to Rhodesia.

AVAILABILITY OF DOCUMENTS TO TREASURY

Senator PEARSON. Let me interrupt you. When Mr. Hollis, of the Treasury Department, visited you yesterday, did you give him all copies of all documents you had or only those he requested?

Reverend SCHULZ. All the documents.

SOURCE OF DOCUMENTS

Senator PEARSON. Did you indicate to him or did he inquire as to how and where and from whom you obtained the documents?

Reverend SCHULZ. He asked us to make copies for him of two documents. Apparently, he had all the other documents previously. No;

he did not ask—well, yes, he asked me the question, "Where did you get these documents?" I told him that I received them in the mail.

Senator PEARSON. Did he ask you from whom you obtained them?

Reverend SCHULZ. I don't think he did, no.

Senator PEARSON. He made no inquiry?

Reverend SCHULZ. No.

Have I gone far enough?

VIOLATIONS OF U.S. SANCTIONS

Senator CLARK. No; I think that is exactly the kind of thing I was interested in. In other words, what you see as the problem. I think you have explained that.

Briefly put, it is your feeling that the documents which you have reproduced here, plus currently a few others, including the memorandum you cited today, which I want to ask you about in a moment, indicates that clearly from your point of view, that there was a concerted effort, you call it a conspiracy, by Mobil Oil's South African subsidiary to sell oil through various paper companies, to Rhodesia, and thereby violate the sanctions established and agreed to by the United States.

Is that accurate?

Reverend SCHULZ. Violate the United Nations resolution, clearly, and, I believe violate the spirit of the Executive orders which President Johnson signed.

Senator CLARK. Do you, therefore, believe it was a violation of the law? Do you think Mobil Oil is in violation of U.S. laws?

Reverend SCHULZ. No comment.

SIGNIFICANCE OF MEMORANDUM

Senator CLARK. No comment. OK. I wanted particularly to try to understand what you believe to be the significance of this memorandum. I am not quite sure I understand it that clearly.

Senator CLARK. It has a printing at the top, "W. F. De La H. Beck, Post Office Box 35 Cape Town 8000," dated June 25, 1974, signed as best I can tell, "Bill." Is that your reading of it?

Reverend SCHULZ. That is right.

Senator CLARK. Is Bill Mr. Beck's first name?

Reverend SCHULZ. Yes; William.

Senator CLARK. It is addressed to a Mr. J. B. Nicol, Salisbury. "Dear Berwick"——

Reverend SCHULZ. J. Berwick Nicol.

Senator CLARK [continuing]. "Attached is a photostat copy of a letter written by Tony Kirk to John Green." You don't have a copy of that?

Reverend SCHULZ. No; I don't.

Senator CLARK [reading].

I do not think it is necessary for me to repeat what I have often said, and that is that I do not approve of personal correspondence. On a matter such as this, which does not have any security implications which might attach to Rhodesia, it is essential that the matter be raised in official correspondence. In this case, John Green received the letter just before departing on leave, failing which I have no doubt that the letter would have remained unopened for perhaps 3 weeks.

Will you, therefore, please, insure that all your staff are aware of the fact that personal corespondence should cease.

Those are the first two paragraphs. What is the significance of that, from your point of view?

Reverend SCHULZ. From our point of view, what I am going to say relates to some other documents in the materials that you have before you; the sense of having something behind the scenes, of security operations.

Perhaps I don't understand how corporations work. I am unaware of the fact that corporations go to so much trouble to coverup by sending mail to private addresses and having a concern about security implications.

What this indicates to us is that this particular document really has no—if I understand what is being said later—has no real security implications in it; but it was obviously sent personally, through the channels that they had probably developed for mail related to security arrangements.

So Mr. Beck, who you understand is chairman of Mobil South Africa, is chiding Mr. Nicol, who is managing director of Mobil Rhodesia, for sending something like this through the channels they use for the security operation.

Senator CLARK. You mean the attached photocopy of a letter?

Reverend SCHULZ. Yes, right.

Senator CLARK. But you don't have any view of what that letter said?

Reverend SCHULZ. No, unfortunately. Mr. Chairman, I have to assure you that I was not involved in obtaining this correspondence. Certainly, there are a lot of other documents which I would have tried to obtain, if I had been. Also, Mr. Chairman, if I had been doing this, I would have taken the originals and left copies in the files rather than made copies of the originals. I make that comment to forestall further questioning on that particular arrangement.

Senator CLARK. Just to go on through the letter, your whole point about these first two paragraphs briefly put is what, there is a secret security channel through which information passes?

Reverend SCHULZ. That is right.

Senator CLARK. "In regard to the matter raised, there clearly is a difference between the question of oils and greases on the one hand, and refined products on the other."

Reverend SCHULZ. They are probably right.

Senator CLARK. "In regard to the former," that is the oil, "there is obviously no reason why Oilcom Service Stations should not be supplied with our branded oils and greases at the same price as Mobil Service Stations. The question of whether we will in fact be in a position to blend and package their own branded products is an entirely different matter and will depend on their specifications and the quantities required." What is the significance of that paragraph?

Reverend SCHULZ. Oilcom Service Stations are service stations in Malawi. However, they are supplied by and are subsidiaries of, the Rhodesian Corp. which in turn we understand is owned by the South African Corp. I think it is significant that this business operation is going on and that letters are going back and forth involving a person who has stated, and Mobil has quoted him, that no operations were going on between Mobil South Africa and Mobil Rhodesia after 1966.

This memorandum, written June 25, 1974, indicates, to us at least, that there were continuing relationships. I am prepared to accept the

fact that maybe these oils and greases, in this instance, were not being sold at Mobil Service Stations in Rhodesia. But they may have been. There is no evidence here they weren't, either. That is the significance to us.

Senator CLARK. Let me finish the letter now.

Our answer, therefore, in regard to Lube Oils and Grease is that we shall naturally be willing to sell our branded products at normal list prices. This will at least ensure that Malawi does not run short of these products.

In regard to defined fuels, we definitely do not wish to take any lead in discussions with Oilcom. Collin—in the event of being approached on this matter—should merely state that he is not in a position to give an answer and that the matter will have to be referred to Cape Town who control Mobil's Durban Refinery. Yours sincerely, Bill.

What do you see as the significance of those last two paragraphs?

Reverend SCHULZ. I have studied it very carefully. I think the key to what I want to show is really on the first page. I am wondering why they do not want to take the lead in discussions with Oilcom, although that is the Malawi group. Then again, here is the relationship between a managing director of Rhodesia Mobil and Cape Town, obviously, Mobil's Durban South African Refinery.

Senator CLARK. It is your position if the embargo were being abided by Mobil South Africa, that there would not be any communication of Mobil South Africa and Rhodesia at this time?

Reverend SCHULZ. Our position is that is what the executive order says.

Senator CLARK. It says at the bottom, "Read and understood," with some signature which appears to be 28/6. I assume that is June 28, since it was dated June 25. I think I have no other questions at this time.

BURDEN OF PROOF CONCERN

Senator PEARSON. I tell you what concerns me. I think there are many of us concerned about human values, moral concept, the adherence to the laws of this country, to foreign policy considerations and principles and the improvement of life and conditions, the freedom of justice in South Africa.

If Mobil Oil has violated the laws of this country or the sanctions, I hope it is discovered and that all penalties and matters of punishment are meted out. But you have talked to a lot of lawyers. You are not in court now. But I am concerned that someone would make a charge to furnish documentary proof authenticated only by the opinion of unnamed lawyers and then say suddenly under our system the burden of proof shifts to the party charged, as to whether or not this is so. Does that concern you at all?

Reverend SCHULZ. We are only talking about the authenticity of the documents, that is, not whether or not Mobil is responsible.

Senator PEARSON. I would counsel you to go back to Mr. Hollis or call him in and offer him all authentication authority you have so that the Treasury Department, which I understand is making an investigation of this, can go forward with more than you have given him so far.

Reverend SCHULZ. Senator Pearson, I believe that is the responsibility of the Department of the Treasury. That, in fact, is the responsible body for authenticating these documents and also for determining whether or not U.S. law has been violated. I am outraged by

the fact they did not get in touch with me until yesterday. That is a clear, it seems to me, indication that this administration is not interested in dealing with situations of this sort when they affect people who are a majority of the people of South Africa.

WITNESS CONTACT WITH TREASURY

Senator PEARSON. Did you contact the Treasury at any time?

Reverend SCHULZ. We hand delivered the documents to the Treasury Department on June 21.

Senator PEARSON. Very well. That is all I have.

ALLEGATIONS

Senator CLARK. Just one last question. So I am sure I understand, you are not alleging, in your oral presentation here, that Mobil Oil violated the American laws, as I understand it. You said you had no comment on that.

Reverend SCHULZ. No comment.

Senator CLARK. You do allege they violate the United Nations' resolution and that they are in violation of American intentions with regard to the embargoes, is that correct?

Reverend SCHULZ. It is my belief that the actions of Mobil Corporation, and Caltex, if they are included, and if any other corporation who may be involved in a similar situation, violate the spirit of the executive order.

Senator CLARK. And your documentation evidences that?

Reverend SCHULZ. That is right. Let me just say, there is one place where I think there are indications that the U.S. administrative law, and the administration of that executive order might cover charges which could develop from this, if the Treasury Department followed up on it.

Senator CLARK. Yes, I understand.

HEARING PROCEDURE

I would like to have you stand down. But I would like to have you stay because there may be other issues that are raised later in the testimony for which we might want to recall you.

I would like representatives from Mobil to please come forward.

Mr. George Birrell, vice president and general counsel of Mobil Oil. Please identify the others at the table. I notice that you have a very large packet of testimony. It will be made a part of the record.

Senator CLARK. You just proceed in your 10 minutes in any way you think appropriate.

STATEMENT OF GEORGE A. BIRRELL, GENERAL COUNSEL AND VICE PRESIDENT, MOBIL OIL CORP., NEW YORK, N.Y.; ACCOMPANIED BY J. E. FOWLER, GENERAL COUNSEL, INTERNATIONAL DIVISION, MOBIL OIL CORP., AND E. L. WAGGONER, RELATIONS MANAGER, INTERNATIONAL DIVISION, MOBIL OIL CORP.

Mr. BIRRELL. Thank you, Senator. On my left is J. E. Fowler, the general counsel of the International Division of Mobil Oil Corp. On

my right is E. L. Waggonner who is the relations manager of the International Division of Mobil Oil Corp.

I welcome this opportunity to testify before you on Mobil's operations in Southern Africa. For the record, and in response to your request, we have submitted a detailed statement on the scope of our South African operations and particularly our investigation of the charges that Mobil has been involved in the shipment of petroleum products to Rhodesia.

In the interest of time and in response to what I understand is your desire, I will confine myself to this latter topic in my presentation.

Senator CLARK. That is fine. We will have some questions in the other area.

Mr. BIRRELL. Fine. I would, in this connection, like to direct your special attention to the report which is included as an annex under the tab "Report" in the statement which we have submitted. This was prepared by our internal international division legal staff. Because of its relevance and, we hope, its completeness and importance, I respectfully request that it be incorporated into the record at this point in my testimony, Mr. Chairman.

Senator CLARK. It will be.

Mr. BIRRELL. Thank you.

[The information referred to follows:]

REPORT ON UNITED CHURCH OF CHRIST CHARGES PERTAINING TO THE RHODESIAN SANCTIONS REGULATIONS

[Prepared by J. Edward Fowler, General Counsel, International Division, Mobil Oil Corporation]

A. SUMMARY

1. The Charges

On June 21 of this year, two groups held a press conference in Washington at which they said that Mobil's South African affiliate has secretly been sending petroleum products into Rhodesia over the past several years. The groups, the Peoples Bicentennial Commission and the Center for Social Action of the United Church of Christ, charged that Mobil Oil Corporation ("Mobil") executives in New York must have been aware of this activity and that, if this is so, both the Corporation and certain of its officers should be prosecuted for violating United States legal restrictions on trade with Rhodesia.

The charges were presented in the form of a 52-page booklet called "The Oil Conspiracy" and are based mainly on what are claimed to be "secret" Mobil documents. The most significant of these is a long personal letter allegedly written in 1968 by an employee of Mobil Oil Southern Rhodesia (Pvt.) Limited ("Mobil Rhodesia").

Neither the alleged "Mobil" documents nor the conclusory allegations of the booklet have yet been substantiated by any identifiable individual. Rather, the U.C.C. simply states that the material came to them from an organization in OKHELA, described as a clandestine organization in Africa committed to "armed struggle" to fight what it called "fascist apartheid, settler colonialism and imperialism."

The situation, then, is that the U.C.C. has produced and widely publicized a "report" containing charges of the most serious nature based on unsubstantiated information from sources apparently unknown even to the U.C.C. The careful reader will note the U.C.C. disclaims responsibility for these charges, and to date they have been unwilling or unable to provide any direct substantiation. The U.C.C. report is replete with qualifications—that the documents "appear" to be confidential Mobil reports; that the report shows how oil "seems" to be getting to Rhodesia; that the information "tends to establish" the conclusions expressed. However, because the sources "cannot be publicly revealed or named,

the Center for Social Action does not claim that all of what follows is provable in a court."

As appears from the above statements and others by the U.C.C., the U.C.C. is very clearly not vouching for the truth of the charges or the authenticity of the purported "Mobil" documents. The carefully worded disclaimers of responsibility set forth in the report were notably absent, however, from the U.C.C. statement made at their June 21 press conference and in media reports on the matter.

2. Results of Mobil Investigation

Despite Mobil's inability to explore the charges directly with the U.C.C.'s sources in Africa, the situation has been investigated on an intensive basis, through every avenue available to us. The results of our legal and factual reviews and inquiries (discussed more fully in the succeeding sections of this report) can be summarized as follows:

Under the United States Rhodesian Sanctions Regulations which implement the United Nations sanctions, it has always been perfectly legal for Mobil Rhodesia (a Rhodesian company whose capital stock is owned by Mobil) to continue its local marketing business, purchasing product supplies domestically from the Rhodesian Government entity called GENTA.

Mobil Oil Southern Africa (Pty.) Limited ("Mobil South Africa"), a South African company, is not prohibited under such regulations from selling non-U.S. origin petroleum products to Rhodesia.

Despite the legal permissibility of Mobil South Africa making sales to Rhodesia, that affiliate since early 1966 has agreed to comply with Mobil's policy that our affiliates not make such sales—a policy which goes beyond the requirements of U.S. law.

Over the past ten years, Mobil has on many occasions made unmistakably clear to its affiliates—including Mobil South Africa—that it has a firm corporate policy that products are not to be supplied to Rhodesia and that strict compliance is expected with that policy; many steps have been taken by Mobil and Mobil South Africa to assure compliance with that policy.

During those years, Mobil's officers and employees have received no information, written or oral, that should have caused anyone to think activity of the character portrayed in the U.C.C. report was occurring.

To the contray, Mobil and its officers and employees in New York have received repeated assurances, written and oral, from Mobil's African affiliates that the U.S. regulations and Mobil's policy were being followed, and all the information received here as to the operations and financial results of the African affiliates has been consistent with those assurances.

The available information requires the affirmative conclusion that Mobil, its officers and employees have at all times acted in compliance with the U.S. regulations; no evidence has been discovered which indicates that activities of our African affiliates have been in violation of U.S. legal requirements.

In particular, it is clear that the U.S. citizens who served on the board of Mobil South Africa have at all times conducted themselves in accordance with U.S. legal requirements.

Despite our best efforts—and by reason of the Official Secrets Act and other laws of South Africa and Rhodesia—Mobil has been precluded from investigating in Africa to determine whether certain aspects of the U.C.C. charges are true—*i.e.*, to determine conclusively whether, in violation of Mobil policy, certain employees of Mobil Rhodesia were in communication with employees of Mobil South Africa in respect of product imports into Rhodesia through various third-party entities.

However, it has been determined that the key document (No. 16) in the U.C.C. report—which is represented as implicating Mobil South Africa in the alleged arrangements—is subject to substantial question. The alleged recipient at Mobil South Africa, Mr. R. H. Maskew, has advised Mobil in New York that he never received that letter, and is not familiar with its contents. While Mobil has not been able to disprove the existence of such a document, it is clear that even if it ever was written by the former Mobil Rhodesia employee whose name appears at the end, it never reached its indicated recipient at Mobil South Africa and thus without more cannot be taken as evidence of two-way communication between Mobil Rhodesia and Mobil South Africa.

Close analysis of the U.C.C. report reveals many other factors which raise substantial question as to its objectivity and the validity of its conclusions.

In view of the laws of South Africa and Rhodesia and the conflicting policies of the Governments of the United States and South Africa in respect of Rhodesia, these matters are subject to resolution, if at all, only on a government-to-government basis; it is clear that Mobil, as a private corporation, cannot change the laws or policies of the Government of South Africa under which Mobil South Africa operates.

B. REQUIREMENTS OF U.S. LAW

1. Background of the Regulations

The U.S. regulations on Rhodesia resulted from actions taken by the United Nations after November, 1965, when a group of whites in Southern Rhodesia led by Mr. Ian Smith announced what has come to be called the Unilateral Declaration of Independence from Great Britain. A series of U.N. Security Council resolutions followed, calling at first for selective sanctions and finally, in 1968, for a total economic boycott against Rhodesia. These U.N. actions were supported by the United States; the Republic of South Africa has consistently declined to support the Rhodesian boycott.

In July 1968, after the final U.N. resolution calling for a total embargo, a United States Presidential Order was issued to that effect, and detailed regulations called the Rhodesian Sanctions Regulations were put forth by the United States Treasury Department. (The United States Department of Commerce, in late 1965, had separately prohibited direct U.S. exports to Rhodesia and the re-export to Rhodesia of goods originating in the United States.) Those regulations are still in effect.

2. Application to Mobil Oil Corporation

The main prohibition is that no person who is "subject to the jurisdiction of the United States" can transfer property which involves merchandise destined to Rhodesia. The persons to whom this prohibition applies include any United States corporation, such as Mobil Oil Corporation, and any individual who is a U.S. citizen.

3. Continued Legality of Mobil Rhodesia Business

The regulations also say that any Rhodesian company which is owned or controlled by a U.S. company is a person "subject to the jurisdiction of the United States"—even though one might wonder how in fact the United States could ever exercise such jurisdiction. The regulations specifically confirm, however, that Rhodesian affiliates of U.S. companies can conduct domestic business activities which are not related to imports or exports. On that basis, Mobil's Rhodesian marketing affiliate—in business long before the sanctions—has continued its local marketing business, purchasing its supplies locally, according to all information available to Mobil, from a Rhodesian government agency.

It is worth noting that even if the basic U.C.C. charge were true—that Rhodesian citizens who were employees of Mobil Rhodesia were required by the Rhodesian Government to assist in arranging imports for that Government's agency, GENTA—such activity pursuant to governmental compulsion in Rhodesia should not be held to violate U.S. law. While we have seen no confirmed evidence that Mobil Rhodesia was engaged in handling imports, we do understand that from late 1965 all the oil company affiliates in Rhodesia were deemed by governmental order to be "controlled" companies, and were ordered to continue in business under Rhodesian Government direction. The Rhodesian Government Gazette of December 21, 1965 sets forth "Emergency Powers (Control of Manpower in Petroleum Products Industry) Regulations," which name Mobil Rhodesia as a "controlled" industry (copy attached as Exhibit 1). Those regulations provide that each employee of a "controlled" company is required on pain of criminal penalties to comply with each "order or directive" given under Section 4, which in turn provides that:

"Whenever it appears to the Minister necessary or expedient that an employee in or the manpower of the controlled industry should be used in a particular manner calculated to yield the best results in dealing with the state of emergency or in the interests of the maintenance of the production, supply, delivery or distribution of petroleum products, he may make such order or direction as appears to him to be necessary or expedient for such purposes."

In this respect we think Mr. Stanley Sommerfield, the Acting Director of the United States Office of Foreign Assets Control, correctly states the law when he suggests, as quoted in Platt's Oilgram of June 23, 1976, that the U.S. regula-

tions would not apply to actions of the Rhodesian affiliate if they were under "duress" from that Government.

It is clear that the U.S. regulations could not require Rhodesian citizens to violate Rhodesian law in Rhodesia. This has been confirmed by the United States Treasury Department in another but related context. In February 1973, Mr. John Hennessy, representing the Treasury Department, stated to the Subcommittees on Africa and International Organizations and Movements of the House Committee on Foreign Affairs (page 149 of report entitled "Future Directions of United States Policy Toward Southern Rhodesia"), that—

"To the extent Rhodesian subsidiaries are not under compulsion from Rhodesia, FAC has instructed the parent firms that they must ensure that the subsidiaries comply with the Regulations. However, Rhodesia has in fact passed laws placing subsidiaries under 'mandate' from the Ministry of Mines and imposing criminal penalties against mining firms and their managers in Rhodesia which refuse to obey directives from the Minister of Mines. The Minister of Mines has directed the subsidiaries of Union Carbide and Foot Mineral to produce chrome ore and deliver it to Univex, a Rhodesian corporation established by Rhodesia for export activities. If the local managers did not comply with these directives, they would be subject to imprisonment. In accordance with standard policy, the Office of Foreign Assets Control has advised the parent firms that they are not in violation of the Treasury regulations in these circumstances. . . ."

4. Nonapplicability to Mobil South Africa

It is also clear that the Rhodesian sanctions regulations do not apply to other third-country affiliates such as Mobil South Africa. Such affiliates are not deemed to be persons "subject to the jurisdiction of the United States."

Therefore, even if Mobil South Africa had actually sent products into Rhodesia, that act in itself would not have violated the Rhodesian regulations sanctions. This point was brought out by the Acting Director of the Office of Foreign Assets Control, in a statement quoted in the Washington Post of August 4, 1976:

"A South African firm is not subject to our jurisdiction even if it's U.S. owned."

The Washington Post story goes on:

"He [Sommerfield] said that whether the parent company knew about an arrangement to ship oil to Rhodesia through a foreign affiliate 'is irrelevant. . . .' As long as no U.S. citizens are involved, a foreign corporation can do anything it pleases. * * *"

This does not mean, of course, that Mobil would knowingly involve itself in transactions designed to allow Mobil South Africa to supply Rhodesia. Indeed, as a matter of company policy, Mobil has taken every available step to assure that Mobil South Africa does not do so.

C. MOBIL'S POLICY AND PROGRAM OF COMPLIANCE WITH THE RHODESIAN SANCTIONS

From the inception of the United Nations sanctions against Rhodesia, and beginning more than 2 years before the Rhodesian sanctions regulations were promulgated, Mobil Oil Corp. initiated and has consistently maintained a policy and compliance program for itself and its affiliates which goes beyond the prohibitions of those regulations. That policy has been that neither Mobil nor its affiliates shall supply petroleum products to Rhodesia.

This program has been applied by Mobil at two levels:

First, a program of periodic advice to Mobil's overseas affiliates of the applicable U.S. legal requirements and Mobil's corporate policy.

Second, special attention with the management of Mobil South Africa to assure compliance by that affiliate within the framework of its status as a South African company operating under the laws and policies of a government which does not support the United Nations sanctions.

1. Compliance requirements advised to Mobil affiliates

(A) EARLY STEPS IN RESPECT OF COMMERCE DEPARTMENT AND BRITISH GOVERNMENT REGULATIONS

Promptly after the U.S. Department of Commerce in late 1965 prohibited U.S. exports or the reexport of U.S. origin commodities to Rhodesia, a letter was sent by Mobil in New York to its foreign affiliates, entitled "U.S. Export and Reexport Restrictions—Southern Rhodesia." This letter, dated January 14, 1966, was sent

at the insistence of the lubes and special products department of the supply and distribution department of Mobil Oil Corp., which has internal responsibility for keeping foreign affiliates posted as to applicable requirements of U.S. law and Mobil policy on product sales to restricted countries, such as Communist bloc countries, and related matters.

That letter included Mobil South Africa among its addressees, and stated: "On December 28, 1965 the U.S. Department of Commerce, in support of the British Government's embargo, effectively embargoed the future exportation and the reexportation of existing or future supplies of U.S. origin petroleum and petroleum products to Southern Rhodesia. . . . In line with the above, reexportations of U.S. origin petroleum and petroleum products are no longer permissible to Southern Rhodesia. . . ."

(Portugal had not supported the United Nations sanctions; therefore, a special effort was deemed advisable in respect of our affiliates there and in Angola. Telexes were sent to those affiliates on January 7, 1966, stating the substance of the above letter which followed on January 16.)

Mobil's affiliate in the United Kingdom, Mobil Oil Co., Ltd., had been a supplier of certain products to Mobil Rhodesia. Pursuant to the United Nations resolution and the British orders in council of late 1965, those supplies were promptly terminated. Indeed, certain products on order for Mobil Rhodesia as of the end of 1965 were canceled by Mobil Oil Co., Ltd., who advised Mobil in New York that:

". . .[W]e are no longer supplying petroleum products to Southern Rhodesia, nor to any area where we have reasonable cause to believe they will be re-exported to Southern Rhodesia."

(B) MOBIL'S POLICY THAT NO AFFILIATE SHALL SUPPLY RHODESIA

Following promulgation in mid-1968 of the U.S. Rhodesian sanctions regulations, the recurring advice from Mobil in New York to its foreign affiliates was expanded to reflect Mobil's corporate policy position (which goes beyond the requirements of those regulations) that "all transactions" by Mobil affiliates involving the sale of products to Rhodesia or nationals of Rhodesia are "strictly prohibited." These communications were sent to Mobil's foreign affiliates on a regular, recurring basis.

This position, going beyond the requirements of U.S. law, in effect applied to all of Mobil's affiliates the decision taken by Mobil's executive committee in respect of Mobil South Africa in December 1965, discussed in the next section of this report. (As previously noted, the Rhodesian sanctions regulations do not apply to third-country affiliates such as Mobil South Africa.)

Various of these letters from Mobil to its foreign affiliates reported also on the progressive relaxation of the U.S. restrictions on trade with Communist bloc nations. To guard against any misimpression, the letters were careful to emphasize that the Rhodesian sanctions were not also being relaxed. Thus, the letter to affiliates of December 13, 1966, in advising of Department of Commerce relaxation of restrictions on sale of nonstrategic commodities to certain Communist countries, emphasized that: "This relaxation does not apply to . . . Rhodesia." The April 1973 letter, noting further relaxations of such restrictions, again emphasized that they apply to all countries "except Southern Rhodesia."

The foregoing policy and legal guidance to Mobil's foreign affiliates, including Mobil South Africa, was clearly stated and given regularly over the relevant time period. Such compliance program constituted by itself a sufficient exercise of diligence by Mobil and its management, without more. However, more was done, and intensively so, in respect of Mobil South Africa.

2. Special actions to assure compliance by Mobil South Africa

(A) STEPS TAKEN IN 1965 AND 1966

Because Mobil South Africa had a traditionally close relationship with Mobil Rhodesia, special efforts were applied both in New York and Capetown to assure compliance by that affiliate.

On December 17, 1965, the United Kingdom, by an order in council, undertook to limit the supply of crude oil and petroleum products to Rhodesia by companies subject to U.K. jurisdiction. Shortly thereafter, Mobil in New York received a request from the U.S. Department of State that we and our affiliates, although not legally required to do so, should comply with the British sanctions.

In these circumstances, the executive committee of the board of directors of Mobil Oil Corp. determined on December 30, 1965, that Mobil's South African affiliates should discontinue further shipments of petroleum products to Rhodesia. Such policy position, of course, went beyond then existing requirements of U.S. law and, indeed, went beyond the requirements of U.S. law as finally promulgated in July, 1968.

To assure that Mobil South Africa understood this policy decision and the new Department of Commerce regulations banning reexport of U.S. origin commodities to Rhodesia, an American lawyer—the general counsel of Mobil East Inc., in New York—was dispatched to South Africa. He advised Mobil South Africa of the executive committee's action, which was confirmed to the affiliate by letter dated January 18, 1966, from Charles F. Scott, a director of Mobil South Africa and then president of Mobil East Inc. (Mobil East was the regional service company then responsible for coordinating activities of affiliates in the Far East and southern Africa.)

That letter (attached as exhibit 2) referred to the actions of the British Government, the new Department of Commerce regulations and the request Mobil had received from the State Department, and then said:

"From the point of view, therefore, not only of compliance with the policy of our Government but of our own interests as a stockholder, it is our request that you discontinue any supplies of petroleum products and petroleum (as defined in the above Orders) to Southern Rhodesia which might result in any Mobil affiliate contravening the above Orders or the United States request and prohibition referred to above."

Several actions were taken by Mobil South Africa to implement that request.

First, the General Manager of Mobil South Africa, by letter to Mobil Rhodesia dated January 20, 1966, advised of the new regulations of the U.S. Department of Commerce and stated that Mobil South Africa was discontinuing shipments of lubricating oils to Mobil Rhodesia. (At that time certain of Mobil South Africa's lubricating oils were blended from base stocks containing components of U.S. origin.)

Second, and despite the policy of the South African Government which did not support the Rhodesian sanctions, the Board of Directors of Mobil South Africa, on February 25, 1966, adopted a resolution which confirmed discontinuance of "the supply or sale by the Company of lubricating oils and other petroleum products to Mobil Oil Southern Rhodesia (Private) Limited". A similar resolution was adopted concurrently by the Board of the refining affiliate in South Africa, Mobil Refining Company Southern Africa (Pty.) Ltd.

To achieve such compliance within the bounds of South African law and policy required consultation with the South African Government. By telex to Mobil in New York, of January 19, 1966, Mr. W. F. Beck, General Manager of Mobil South Africa, reported that in order to comply with the U.S. Department of Commerce restrictions on re-export of U.S. origin commodities, he had found it necessary to review the matter with the Secretary for Commerce and Industry of the Republic of South Africa. Mr. Beck advised the Secretary that by reason of such regulations Mobil South Africa would have to cease supplying lubricating oil to Mobil Rhodesia. He reported that the Secretary of Commerce "understood and accepted" this position "as being beyond Mobil's control." (As indeed it was, since under the new Commerce Department regulations Mobil Oil could no longer export lubricating base stocks to Mobil South Africa from the United States without a certification from Mobil South Africa to the effect that products manufactured therefrom would not be sent to Rhodesia.)

But Mr. Beck also undertook to review Mobil's broader policy request with the South African Government—after receiving advice of the Mobil Executive Committee policy decision of December 1965 and before his own Board took action thereon in late February 1966. He reported to New York that in these discussions he attempted to obtain agreement of the South African Government "that [the] oil industry [should] specifically make [an] announcement that they would not sell to Rhodesia." However, he reported, the Government was "desirous [that] no public statement be made by us." Nonetheless, he said, the Government had agreed that "we are free to act as we desire and can refuse any sales not made in normal course of business." On that basis, he reported, Mobil South Africa "will continue [to] only make normal sales which will naturally exclude any direct sales to anybody in Rhodesia or for direct transportation to Rhodesia."

Mr. Beck's report went on to say that the Government insisted, on sales to

service stations, that Mobil South Africa "cannot restrict [the] use to which they put these supplies."

While he thought any transshipment by such dealers in Rhodesia would involve only "insignificant" quantities, he would be "watching position closely." (As discussed more fully in Section G below, Mobil has subsequently been advised that under South African law and Government policy a seller cannot refuse to sell to a regular South African customer who wants to buy, on the basis of that customer not being willing to furnish a use or destination commitment. The Government position in respect to sales to service stations and other "normal course of business" customers, referred to in Mr. Beck's 1966 report, would appear to reflect that requirement.)

Following these conversations with the Government, and to implement the Mobil Executive Committee policy, Mr. Beck took a third important step—in February 1966—which he later described to Mr. Everett S. Checket, at the time Mr. Checket became president of Mobil South Inc. and a director of Mobil South Africa. He delivered a strong policy statement to his management team in South Africa, in which he explained that henceworth Mobil South Africa policy would be not to supply products to Rhodesia; that although the South African Government expected Mobil South Africa to continue supplying their traditional South African customers with their normal requirements, Mobil Rhodesia was not in that category and would not be supplied; and that in this connection Mobil South Africa personnel should carefully scrutinize product requests from new customers and any abnormally large orders from old customers.

Thus, a policy and program of compliance by Mobil South Africa were put in place in early 1966, which went beyond the U.S. legal requirements. Mobil South Africa took those steps to respond to the policy adopted by the Executive Committee of Mobil in New York. Since that time Mobil, and its officers in New York and the U.S. citizens serving on the Board of Mobil South Africa, have had every reason to believe that such policy has continued to be implemented by Mobil South Africa, and no reason to believe that it was not.

(B) SUBSEQUENT CONFIRMATIONS OF COMPLIANCE

All the advice and information received by Mobil in New York since early 1966 have consistently confirmed that Mobil's affiliates in South Africa and Rhodesia were acting in compliance with the U.S. Regulations and Mobil policy.

Thus, as reported in a letter of April 1966 from Charles F. Scott[1] to the Chairman of Mobil's affiliate in the United Kingdom, Mr. Beck on a recent visit to New York had "confirmed" that—

". . . [D]uring the continuance of the embargo, the Mobil companies in South Africa are making no shipments of lubricating oils or other petroleum products into Rhodesia or to any person outside of Rhodesia where there is reasonable cause to believe that such lubricating oils or other products will be directly or indirectly supplied or delivered by such person into Rhodesia."

In February, 1969, Mobil in New York inquired of Mobil Mediterranean and Africa, Inc. (the Paris-based regional service company then responsible for South Africa) as to the facts that could be reported in response to a British Government inquiry. Mobil Oil Corporation was advised by letter:

"We can also assure you that Mobil does not ship any petroleum into Rhodesia. All petroleum supplies for Rhodesia are procured by a Rhodesian government purchasing agency, G.E.N.T.A. Mobil has never made a sale to G.E.N.T.A." [underscoring in original]

The foregoing was consistent with other information received in New York as to the source of Mobil Rhodesia's product supply. As reported to the Department of State on at least one occasion in January 1967, after U.D.I. in December 1965 the Rhodesian Government required the local petroleum marketers to purchase their supplies from GENTA, an agency of the Rhodesian Government. The precise source of GENTA's product supplies was not known to Mobil or its personnel in New York.

Indeed, when Charles E. Solomon, a former President of Mobil's International Division and a director since 1972 of Mobil South Africa, inquired of the Mobil Rhodesia marketing manager, he was told that such information was not known but in any event was a government matter and it would be illegal to discuss it.

[1] Mr. Scott was then a director of Mobil South Africa and President of Mobil East Inc. the regional service company responsible for coordinating operations of Mobil's affiliates in Southern Africa.

Similar inquiries were made by Everett S. Checket and Faneuil Adams, Jr. when they became directors of Mobil South Africa, and by Curtis M. Klaerner, President of Mobil's International Division. Whether they asked Mr. Beck, or Mr. Nicol (General Manager of Mobil Rhodesia), the information was consistently the same—that GENTA's source of supply was not known and the subject was governed by the Official Secrets Act of Rhodesia.

These responses were not only consistent with Mobil South Africa's policy commitment of no supplies to Rhodesia, they were also unsurprising in terms of the ready and apparent explanation of GENTA's supply sources. GENTA obviously had to be importing products from somewhere (since there were no refineries operating in Rhodesia), and it was quite naturally assumed by persons such as Messrs. Solomon, Adams and Checket that GENTA's supplies came from the two most prospective sources. These were the SONAREP refinery in neighboring Mozambique, owned by Portuguese interests, and later the NATREF refinery near Johannesburg, owned by a South African Government company in partnership with Iranian and French interests. (Portugal had not supported the U.N. sanctions, and the press and others frequently speculated that Rhodesia's petroleum requirements were coming from its Mozambique colony.)

In addition, there were at least two easy avenues of product supply to Rhodesia from overseas sources, one through the port of Beira in the Portuguese colony of Mozambique and thence by rail to north central Rhodesia. The other went through Lorenco Marques, also in Mozambique, and thence by rail to the southern part of Rhodesia. There were also direct government-owned rail links from South Africa to Rhodesia.

The total petroleum product requirements of Rhodesia were quite small compared with the capacity of these available sources. For example, the NATREF refinery alone had a rated capacity of 72,000 barrels per day while Rhodesia's total petroleum product consumption following U.D.I. is believed to have been in the neighborhood of only about 10,000 barrels per day. Thus, given the pro-Ian Smith policies of both the South African and Portuguese Governments, it was assumed that the relatively small petroleum product requirements of Rhodesia were being easily covered through these various alternative sources and supply routes.

For these reasons, among others, there was no reason to assume that GENTA supplies were coming from Mobil South Africa whose refinery location was far distant from Rhodesia and whose management were committed to compliance with the sanctions.

That Mobil Rhodesia was obtaining its products from GENTA, not by importing from Mobil South Africa or anyone else, was confirmed to Mobil also in writing. Thus, in business planning presentations to New York, affiliate management advised that "adequate supplies of petroleum products . . . will be available through GENTA, the government procurement agency"; and, again, that sales in Rhodesia "are assumed to be entirely covered by purchases ex government sources. . . ." In a letter to Charles F. Scott of October 22, 1970, Mr. Beck advised that in Rhodesia, the affiliate would market "whatever is supplied to us by the Government procurement agency."

Also, numerous written certifications, signed by Mobil's South African affiliates were received by Mobil Oil in New York with U.S. origin products imported by them were not being shipped to Rhodesia or to any other person if there was "reason to believe" that such person was re-exporting to Rhodesia. As required by the U.S. Department of Commerce, Mobil's South African affiliates have during this period periodically furnished to Mobil "Multiple Transactions Statements," signed by a senior management officer. Those statements certify that products imported from the United States will either be re-sold in the Republic of South Africa, or exported only to countries specifically named. Those specified countries have never included Rhodesia since 1965. Those certifications from Mobil's South African affiliates included the following:

"Except as specifically authorized by the U.S. Export Control Regulations, or by prior written approval of the U.S. Department of Commerce, we will not re-export, resell, or otherwise dispose of any commodities listed in item 3 above: (1) to any country not approved for export as brought to our attention by means of a bill of lading, commercial invoice, or any other means; or (2) to any person if there is reason to believe that it will result directly or indirectly, in disposition of the commodities contrary to the representations made in this statement or contrary to U.S. Export Control Regulations."

(C) FINANCIAL DATA AND RELATED ITEMS

In addition, the financial reports received in New York from Mobil's affiliates have consistently demonstrated that Mobil's South African affiliates were not selling product to Mobil Rhodesia. These financial statements, submitted annually for each of Mobil's overseas affiliates, are designed to enable preparation of Mobil Oil Corporation's worldwide consolidated financial statements for shareholder reporting and related purposes. Since such consolidated statements require the elimination of inter-affiliate transactions to avoid duplication of results, they contain a schedule entitled "Sales, Services, Rents and Royalties—Intercompany." These schedules show no intercompany sales by Mobil's South African affiliates to Mobil Rhodesia during any of the pertinent years. Had there been such sales, not reported on that schedule, this would have constituted a serious and unprecedented breach of Mobil's internal financial accounting procedures.

In our current investigation, close attention has been given to three particular matters which should be noted, two of which are related to the financial statements.

First, the detailed financial statements of Mobil Rhodesia do exhibit various entries under the category of "realized and unrealized gains or losses" on foreign currency exchange. The "realized" gains and losses (reflecting actual transactions involving foreign currency) are extremely small amounts and are explained by various service arrangements and other permissible items; there is no evidence that these entries relate in any way to product imports. The "unrealized" gains and losses do not represent actual foreign currency transactions; they are merely retranslations of balance sheet accounts into U.S. dollar equivalents, at periodically changing exchange rates, for purposes of stating such local currency items in U.S. dollars for consolidated financial reporting purposes.

The second item is the entry on Mobil Rhodesia's financial reports of import and customs duties as an expense during each year. Again, it is established that such entries do not mean that Mobil Rhodesia was importing product since Mobil's affiliates are required, under our accounting procedures, to separately state as import duties that portion of their local product costs which reflects such duties even if not paid directly by the affiliate. Other Mobil affiliates who are not importers, but locally purchase product imported by others, similarly report such import duties in accordance with Mobil's procedures. Thus, the entry of import duties on Mobil Rhodesia's financial reports is entirely consistent with the information that they were purchasing their product locally from GENTA, the Rhodesian Government agency.

Finally, it appears that, until late 1973, Mobil Rhodesia was engaged at the Salisbury and Bulawayo airports in refueling jet aircraft for South African Airways and TAP, the Portuguese airline. Complete information on these arrangements is not available in New York, and cannot be obtained from our African affiliates by reason of legal restrictions there. The available facts indicate that this was essentially a service arrangement, whereby Mobil Rhodesia personnel were engaged, for a service fee, in performing into-plane refueling operations using product which was either owned at the airport by the airline or purchased locally by Mobil Rhodesia and resold to the airlines. We understand that these jet refueling services of Mobil Rhodesia were terminated in 1973 because arrangements for adequate liability insurance by international insurance carriers were not feasible by reason of the Rhodesian Sanctions.

As indicated above, none of these three matters lends any support to the U.C.C. charges.

We have also explored whether sales statistics of Mobil South Africa would indicate any sales to Rhodesia. It is clear that such data leads to just the opposite conclusion. During the period 1964–65, just before U.D.I., Mobil Rhodesia had been obtaining substantially all its product requirements from the newly commissioned CAPREF refinery at Umtali in Rhodesia, which manufactured products from imported crude. Had Mobil's South African affiliate commenced selling to Rhodesia in 1966 after closure of that refinery (and in violation of their policy commitment to Mobil), such sales to Mobil Rhodesia should have appeared on the annual financial statements as "intercompany sales." There were no such entries. Had such sales been made, but disguised on the books as "trade sales" to unnamed outsiders, those trade sales would have reflected an abnormal increase in 1966 versus 1965. There was no such increase. The average annual increase in Mobil South Africa's trade sales over the period 1965–71

was 11% per year. Mobil South Africa trade sales in 1966 were only 9% greater than in 1965, in 1967 were 11% greater than in 1966, and in 1968 were only 7% greater than in 1967—in each case an increase well within the annual average of 11%. These annual increases reflected Mobil South Africa's continued domestic sales growth in the expanding South African economy, and there was no reason why anyone, including any U.S. citizen on the Board of Mobil South Africa, would have interpreted this data in any other way. To the contrary, if examined in this context, such sales figures would have led one to conclude affirmatively that Mobil South Africa was not making sales to Rhodesia.

(D) OTHER ACTIONS BY MOBIL TO COMPLY WITH THE RHODESIAN SANCTIONS

From time to time since 1965, proposed transactions have arisen which required management or legal evaluation of the U.S. laws and Mobil policy in respect of Rhodesia. In every instance, the decision has been to follow a conservative course of action which would not raise any question of compliance, even when business advantage might have warranted a different approach.

An early example would be 1966 developments in respect of the joint interest refinery at Umtali in Rhodesia. This refinery, owned by a company named CAPREF in which Mobil holds an equity interest, had been completed less than two years when U.D.I. was declared. Mobil and the other oil company participants rejected strenuous efforts by the Rhodesian Government to require the continued supply of crude to and refining at such refinery. Thus, on January 12, 1966, Charles F. Scott, President of Mobil East Inc., cabled Mr. Beck in Capetown reporting advice from another company that the Rhodesian Minister of Transport had communicated a message from Prime Minister Smith stating that the companies "would have no future in Rhodesia" if they did not either handle crude imports for CAPREF or make their crude tankage at Beira, Mozambique available "to a Portuguese buyer which the Rhodesian Government had already lined up." (The Beira tankage was linked to the Rhodesian refinery by a pipeline.) Mr. Scott requested that Mr. Beck advise the Manager of Mobil Rhodesia that Mobil had reached the "same conclusions" as the other oil company—namely, that they were "unable to comply with the Government's request." Following this action, the CAPREF Refinery was closed down and mothballed, and has not been in operation since that time.

In 1973, other shareholders of CAPREF recommended that a study be undertaken to determine the cost of recommissioning the Umtali refinery, should a constitutional settlement be achieved and the Rhodesian embargo lifted. Mobil consulted with the State Department and the U.S. Office of Foreign Assets Control, and after considering the legal restrictions of the Treasury Department regulations and related policy matters advised its partners that we would not participate in such activity.

These, and other situations that have come up over the years, all of which have been resolved in favor of policy compliance even when not legally required, demonstrate a consistent sensitivity on the part of Mobil management to the Rhodesian sanctions and a determination by them to assure that all of Mobil's actions are consistent with those sanctions.

(E) CURRENT RECONFIRMATIONS

Finally, it should be added that after publication of the U.C.C. charges, when asked to comment thereon, W. F. Beck, General Manager of Mobil South Africa, with knowledge of the significance of the matter, expressly confirmed that Mobil South Africa has at all times acted in accordance with Mobil's policy, that his Company is "innocent" of the charges, that the resolution of the Board of Directors of Mobil South Africa adopted in February 1966 remains in effect without modification and that the supply or sale of products to Mobil Rhodesia which was discontinued pursuant to such resolution has never been recommended. These assurances were given to Messrs. Klaerner, Checket and Fowler prior to and during their visit to South Africa in early August 1976, which is described in more detail below.

On the basis of all the facts known to Mobil Oil Corporation, as developed during our inquiries, there is no reason to doubt the foregoing representations of Mr. Beck and there is no reason to believe that Mobil Oil Corporation or its officers or employees had any reason to believe to the contrary at any time since the Rhodesian sanctions have come into effect.

(F) POSITION OF U.S. CITIZENS WHO WERE DIRECTORS OF MOBIL SOUTH AFRICA

The U.C.C. report assumes the truth of the charges received from their unnamed sources, and then says, "It must be presumed" that Mobil's officers "had reason to know" of the alleged activities. The U.C.C. says (p. 31): "It is hard to imagine that the sanctions-breaking activities of Mobil (South Africa) were unknown to its board. . . ." The U.C.C. then singles out Messrs. Checket, Solomon and Adams who were directors of Mobil South Africa, and states that the prohibitions apply to them if they had "knowledge of an illegal transaction."

As demonstrated above, Mobil has found no evidence which suggests there were any "illegal" transactions. In any case, it is abundantly clear that none of the named individuals had knowledge of any facts that would suggest any transactions were occurring which were either "illegal" or, though legal, in violation of Mobil policy.

It is equally clear that none of the U.S. citizens sitting on the Board of Mobil South Africa ever took or failed to take any action which (to use the language of the Regulations) would "authorize or permit" that affiliate to engage in any transactions which are prohibited by the Regulations. To the contrary, and as shown above, they and their colleagues at Mobil took many affirmative actions to be sure no such transactions were permitted or anthorized by anyone.

It is worth noting in this connection that in the Mobil system, the practice of placing one shareholder representative on the boards of foreign affiliates is based primarily on tax and related considerations, and is intended mainly to provide a means whereby management of the parent corporation can communicate investment recommendations and the like to the affiliate. Typically, the day-to-day operational business of the affiliate is conducted by local management without reference to New York except on matters of policy significance, major investment decisions and the like. Reliance is placed on the local management for conduct of the business in accord with applicable legal and policy requirements. The board of directors of the affiliate is normally a formal entity which meets infrequently and does not involve itself in ongoing operational matters. Accordingly, it would be most unusual for an individual, by reason of his being a member of the affiliate board, to receive detailed information in that capacity. It is pertinent to note that, while President of Mobil South, Mr. Checket was a member of the boards of about forty affiliated corporations, a role which does not permit intimate involvement in operational details of any one of them.

The relevant information which is received by the shareholder representative is mainly financial operating information, such as profit figures, return on investment, total sales realizations and similar data which is useful to measure that affiliate's performance against agreed overall objectives. The nonresident director typically does not receive sales data as to individual customers.

Thus, even had there been "sanctions-evasion" activity at Mobil South Africa (and we have no evidence that there was), it is most unlikely that such fact would have come to the attention of the non-resident directors solely by reason of their being members of the Board of Mobil South Africa. This is not to say any of such individuals is subject to criticism for not affirmatively exercising his duties. Mobil having taken the steps described above to assure all of its management personnel, including such directors, of affiliate compliance, none of those directors could be expected as a matter of law or Mobil management processes to have done more than they did—which was to believe the repeated and clear-cut assurances of compliance received by them and others from affiliate management.

D. ANALYSIS OF THE U.C.C. CHARGES

Against the foregoing background, it can be seen that the U.C.C. allegations are completely at variance with the information known by Mobil personnel in New York over the years, and completely out of keeping with the commitments and assurances received from Mobil's South African affiliates during that period.

Certain other observations are also in order:

Even if it were assumed arguendo that all the commentary in the U.C.C. report could be established as true and all the purported "Mobil" documents could be proved to be authentic, there is not a single fact, real or alleged, stated in that report which indicates that any personnel of Mobil or any U.S. citizen sitting on the Board of Mobil South Africa was in any way involved in or knowledgeable on the matter.

Again, even on the foregoing hypothetical assumptions, the principal charges made by the U.C.C. are not addressed to any violation of U.S. law, because:

Activities by Rhodesian citizens who worked for Mobil Rhodesia, undertaken pursuant to Government compulsion or order in Rhodesia, cannot be regarded as actions by Mobil Rhodesia or otherwise be actionable under U.S. law.

The main allegation is not that Mobil Rhodesia was itself engaged in importing products but, rather that certain employees were assisting the Rhodesian Government entity, GENTA, in arranging imports by that agency; thus, even if that charge were true, the alleged activities would not establish a violation of U.S. law by Mobil Rhodesia.

The two key documents which the U.C.C. report claims demonstrate Mobil South Africa involvement are not substantiated by the report, and both are subject to question:

Document No. 16 is a letter purportedly written in 1968 by a Mobil Rhodesian employee to an employee of Mobil South Africa. The named addressee, Mr. R. H. Maskew, has categorically denied that he ever received such letter or had any knowledge of its contents. The purported author, Mr. Richard van Niekirk, has refused to comment on the authenticity of that document by reason of Rhodesian legal restrictions, but emphasized that no implications should be drawn from such refusal.

Document No. 2 is described by the U.C.C. (p. 16) as containing a "crucial reference to supplying Mobil (Rhodesia) with some Hexane apparently originating in the U.S.A. . . ." Hexane is a solvent. Data in Mobil's New York files, which cover all U.S.-source product exports to Mobil's South African affiliates, show no exports of Hexane or any other solvents to those affiliates during the years referred to.

Thus, the U.C.C. report does not present substantiated evidence that Mobil South Africa was engaged in any scheme for arranging exports to Rhodesia. Even if one elected to believe all the "documents" are authentic (despite the lack of substantiation), a responsible reading of the U.C.C. report would lead to the conclusion that at most, only Rhodesian individuals were involved, that such Rhodesian citizens were acting pursuant to Government instruction, and that the alleged importing arrangements (if they ever existed) were set up by such Rhodesian individuals in concert with persons in South Africa not employed by Mobil South Africa and without any involvement of Mobil South Africa management. Such dealings, if they occurred, could conceivably have involved certain substantial customers of Mobil South Africa—such as the Government-owned South African Coal and Gas Corporation (Sasol) or Semco, a large and established company in South Africa, to whom Mobil South Africa was required to sell under South African law. But this would in no way violate the U.S. Regulations, and would be far removed from the U.C.C.'s speculative accusation that Mobil South Africa was an active participant in arranging supplies to Rhodesia.

The U.C.C.'s one venture at claiming an actual violation of U.S. law (page 23) is incorrect on its face. They cite as a "blatant evasion of sanctions regulations" the alleged remittances by Mobil Rhodesia to Mobil South Africa of 140,000 Rhodesian dollars, in payment of charges for computer and other services. The U.S. Regulations do not of course prohibit any such payment, or the rendering of such services by Mobil South Africa.

The U.C.C. report appears to be an adroitly written piece of advocacy, but in several aspects overstatement and liberties with quoted material alone cast doubt on the objectivity and validity of its conclusions. These defects include:

The piecemeal presentation of expurgated "documents" Nos. 2, 17 and 18), deleting material and in two cases omitting the names of the authors, if any.

The lack of any substantiation as to authenticity of those and other key items (notably documents Nos. 16–18).

The repeated insertion of "(Mobil South Africa)" in quoted material, to identify unnamed recipients of communications, etc., where there is no reason, other than a predisposition of the author, to think such insertion is accurate.

Finally, the conclusory statements and "fill-in" material in the report which on analysis are not supported by the documents quoted from and apparently were written by persons whose identity and reliability are unknown even to the U.C.C.

E. MOBIL'S INVESTIGATION OF THE CHARGES

1. Review of Compliance by Mobil and its Personnel in New York

On learning of the charges against it, Mobil initiated an investigation to determine their truth or falsity—at the parent company here in New York and with its African affiliates.

In New York, the Office of General Counsel has conducted a thorough review of files covering the period of 1966 to the present, and we have interviewed those Mobil personnel who have been involved with South African or Rhodesian matters over the years. The results of this investigation are set forth in Section C of this report, above.

One purpose of these inquiries was to determine whether any of the five U.S. citizens who served on the Board of Directors of Mobil South Africa had any reason to believe Mobil's policy of compliance was not being followed in South Africa or Rhodesia. These individuals are:

Everett S. Checket, Executive Vice President of Mobil's International Division, who has served two terms on the Mobil South Africa Board, from June 1971 to September 1972, and from January 1976 to the present.

Charles E. Solomon, who retired from Mobil in February 1973 and who has been a member of the Mobil South Africa Board from October 1972 to the present.

Fanueil Adams, Jr., an International Division Vice President who was a member of the Mobil South Africa Board from October 1972 to January 1976.

John Calvert, who is retired from Mobil, and who was a member of the Mobil South Africa Board from January 1971 to June 1971, and;

Charles F. Scott, who is retired from Mobil, and who was a Mobil South Africa director from July 1968 to January 1971.

Each of these individuals has confirmed that he never had any reason to think Mobil's policy was not being complied with by our affiliates in Africa and, indeed, had every reason to believe it was. Their reports are fully corroborated by other personnel, and by the documentary history, as described above in this report.

Among other things, these individuals report that they made inquiries of the management of Mobil South Africa and Mobil Rhodesia as to the source of GENTA's product, and were given the answers indicated above—that GENTA's source was unknown. However, each of them had every reason to believe the representations of compliance received from affiliate management since there was no apparent reason to think Mobil South Africa would have any reason to supply Rhodesia. Among other things, they were aware of the ready availability of product for Rhodesia from other sources, as described above.

To summarize, after a thorough review of all available files and discussion with all available sources, who might have any information, Mobil in New York has turned up no information whatsoever to substantiate the U.C.C. allegations. Mobil's investigation in New York has produced no evidence to suggest that Mobil or any of its officers, directors, employees or affiliates has taken action that would be in violation of the Rhodesian Sanctions Regulations. To the contrary, all the available information shows that Mobil has taken the necessary steps to assure compliance with the Rhodesian sanctions by its affiliates—in particular, its South African affiliates.

2. The Mobil Investigation in South Africa

(A) REQUESTS TO AFFILIATES FOR INFORMATION

Immediately on hearing of the charges on June 21, 1976, Mr. C. M. Klaerner, president of the international division, outlined them on the telephone to Mr. W. F. Beck, General Manager of Mobil South Africa. Mr. Beck's reaction was surprise and disbelief. He said that when the Rhodesian sanctions first came into force he had made an emphatic statement to his management personnel requiring strict compliance, that his Board had in 1966 adopted a resolution to discontinue sales to Mobil Rhodesia, and he was confident this policy had been complied with.

Mr. Klaerner told Mr. Beck that he would be hearing further from Mobil in New York and advised the affiliate's manager to begin an inquiry into the charges.

On June 30, 1976, Mobil received an Order from the Treasury Department requiring it to produce documents in its own "custody and control' 'in New York, and to obtain and produce other pertinent documents which are in the "custody and control" of Mobil South Africa and Mobil Rhodesia. Mr. Klaerner promptly

sent letters (attached as Exhibits 3 and 4) to Mr. Beck and to Mr. J. B. Nicol, manager of Mobil Rhodesia, with which he enclosed a copy of the Order, and requested that Mobil Oil Corporation, sole shareholder of the affiliates, be furnished the specified material as soon as practicable.

On July 23, Mr. Beck wrote back (Exhibit 5), saying that Mobil South Africa had consulted legal counsel and had been advised that compliance with Mobil's request would violate South African law, particularly the Official Secrets Act. Therefore, Mr. Beck said, Mobil South Africa could not furnish the information. Not having received a response from Mobil Rhodesia, Mr. Klaerner wrote to that affiliate again in late July 1976 (Exhibit 6), stating as follows:

"We therefore wish to re-emphasize that Mobil Oil Corporation is deeply concerned over the allegations made in the document released here in the United States on June 21, 1976 by the Center for Social Action of the United Church of Christ, entitled "The Oil Conspiracy." As you know, that document includes materials which purport to be letters and other communications written by or to personnel of MOSR, and it alleges certain activities on the part of MOSR in relation to petroleum product imports which, if they had in fact occurred, would have been contrary to the representations made to us over the past several years as to the conduct of MOSR's domestic business within Rhodesia. It has been our understanding that from early 1966, MOSR has been required by the Rhodesian Government to continue its local marketing business, purchasing its petroleum product requirements from a Rhodesian Government agency called GENTA, and that MOSR has not engaged in the import of products either from Mobil Oil Southern Africa or otherwise.

"Under the circumstances we believe it is essential that we receive a prompt report from you as to whether the various documents portrayed in the United Church of Christ materials are authentic and, if so, the extent to which they do or do not accurately portray the actual conduct of MOSR's business since 1968."

Mr. Nicol responded by letters dated July 27 and August 6 (Exhibit 7) to Mr. Klaerner, stating that to comply with Mobil's request for information "will involve this Company and its directors in a breach of the laws of Rhodesia and the regulations made thereunder."

(B) ATTEMPTS TO INVESTIGATE DIRECTLY IN AFRICA

Mobil then decided to send representatives to Africa, for several reasons:

First, it was felt necessary to take all steps available under U.S. and foreign law to obtain the documents sought by the Treasury Department.

Second, at the managerial level, the Company was concerned that affiliate management had stated it was legally unable to provide the information that would make clear whether or not corporate policy had been followed.

Third, it was thought essential to explore first-hand the limitations of South African and Rhodesian law cited by Mobil's affiliates as precluding their furnishing the requested information.

Accordingly, on Thursday, August 5, Mr. Klaerner, Mobil's International Division President, Mr. Checket, the Division Executive Vice President, and J. E. Fowler, the Division's General Counsel, arrived in South Africa.

They immediately met with outside counsel in Johannesburg, Mr. Charles Friedman, a partner of the firm Hayman Godfrey & Sanderson, who is an eminent lawyer of international reputation. Mr. Friedman advised them that, while in South Africa, they would be in violation of the Official Secrets Act if they were to pursue the intended inquiry by interviews or otherwise. Mr. Friedman also told the three Mobil representatives that he agreed with the legal advice that had theretofore been given the management of Mobil South Africa by other counsel, i.e., that the Official Secrets Act forbids the transmittal outside the country of information which would prejudice the security or interests of South Africa, that information as to the distribution and sale of petroleum products in South Africa comes under that law, and that the United Church of Christ allegations directly relate to that subject.

Mr. Friedman further advised the three Mobil representatives that neither the South African government nor a South African court has the power to waive application of the Official Secrets Act; and that their proposed investigation could not be carried out even if it were assumed that the results would show the United Church of Christ allegations to be false. A violation of the Official Secrets Act, Mr. Friedman said, could result in imprisonment, without the option of a fine, for 15 or more years.

Later that same day, Messrs. Klaerner, Checket and Fowler drove to Pretoria and met at the United States Embassy with the Honorable William G. Bowdler, U.S. Ambassador to the Republic of South Africa.

Mr. Klaerner outlined the reasons for the visit to South Africa—that the United Church of Christ and the Peoples Bicentennial Commission had charged that Mobil's affiliates in South Africa and Rhodesia had over a period of years arranged for the shipment of petroleum products from South Africa to Rhodesia; that these organizations were alleging that Mobil Oil Corporation must have been involved and the United States Rhodesian Sanctions Regulations must have been violated; that Mobil had reviewed the matter thoroughly in New York and was confident that neither Mobil nor any of its employees had been involved in any violation of the U.S. regulations; that Mobil's policy, which had been clearly advised to its affiliates including those in South Africa, was and still is that Mobil affiliates should not sell or supply products to Rhodesia; that Mobil Oil had over the years received assurances from the management of its South African affiliate that such policy was being complied with; and that after hearing of these recent charges, such assurances had been repeated by the General Manager of Mobil South Africa. Mr. Klaerner further said that although Mobil South Africa is not subject to the U.S. regulations, Mobil nonetheless wants to do all it can to determine the truth or falsity of the charges and in particular the authenticity of the various documents in the U.C.C. report alleged to have been written or received by employees of Mobil South Africa and Mobil Rhodesia. Mr. Klaerner informed the Ambassador that the U.S. Treasury Department had requested Mobil to obtain from its South African and Rhodesian affiliates certain documents for examination by the U.S. Office of Foreign Assets Control, but that Mobil had been advised by such affiliates that under the Official Secrets Act they were prohibited from responding to that request. Mr. Klaerner then reported that the group had just visited with counsel in Johannesburg, Mr. Charles Friedman, who had advised them that while in South Africa they would be in violation of the Official Secrets Act if they were to pursue the inquiry by interviews or otherwise. Mr. Klaerner concluded by saying that he still remained hopeful that some way might be found to develop the information necessary to determine the truth or falsity of the charges, and by asking whether the Ambassador had any suggestions.

The Ambassador replied that he was aware that the South African Government considered data with respect to the petroleum business to be subject to restrictions, but suggested the possibility of obtaining South African Government approval for Mobil's affiliate to furnish the required information under a statute he referred to as the "Information Act." He said that it would be appropriate to visit with South African Government officials on the matter. The New York visitors, upon departure, said that the main purpose of their visit with the Ambassador had been to apprise him of their presence, the purpose of their being there and to determine whether he might have any suggestions to facilitate accomplishment of their mission. The Ambassador had no other specific suggestions, but expressed interest in learning of the results of any meeting with South African Government officials.

On August 6, Messrs. Klaerner, Checket and Fowler met with the General Manager of Mobil South Africa, Mr. W. F. Beck. The Mobil representatives reminded Mr. Beck that it always has been Mobil's intention to comply with the Rhodesian Sanctions Regulations and that no one at Mobil has been or would be a party to violations of those regulations. Mr. Beck said he understood Mobil's position and again drew attention to a resolution passed by the Board of Directors of Mobil South Africa in 1966. The resolution ordered the discontinuance of the supply and sale of Mobil South African products to Mobil Southern Rhodesia, a policy that still is in effect and never has been altered, Mr. Beck said.

On the morning of August 10, Messrs. Klaerner, Checket and Beck met with South Africa's Secretary of Commerce, Mr. G. Steyn, in his office at Pretoria. Mr. Steyn's portfolio includes all matters pertaining to the petroleum industry. The Secretary seemed familiar with the United Church of Christ charges, but indicated he could not comment on them except to say that in his experience he knew Mobil South Africa was an ethical, lawabiding company; therefore, he was surprised that Mobil had been singled out for such charges.

As for the Official Secrets Act, Mr. Steyn indicated he thought the advice of counsel received by the Mobil representatives was accurate, and that the Act would be strictly enforced.

Secretary Steyn made another point, one that Mobil's South African counsel had made previously—that for many years the South African Government has had in force a "firm policy" that a company doing business in South Africa must sell its commodity to any willing buyer and that the seller cannot legally require the buyer to furnish any commitment as to use or destination of the commodity purchased. The Government, said Mr. Steyn, has adequate legal means available to enforce that policy.

Finally, the Secretary of Commerce said that so far as the Government's policies are concerned, these are matters for the South African Government; that dissents from those policies should be raised through government-to-government channels and not on an individual or private company basis.

Later that day, the Mobil representatives reviewed the matter of Mobil policy again with Mr. Beck. Mr. Klaerner delivered to Mr. Beck a Statement of Policy (Exhibit 8) reconfirming to the management of Mobil South Africa and Mobil Refining South Africa the long-standing position of Mobil Oil Corporation, that "neither the Corporation nor its subsidiaries shall sell or supply petroleum products to Rhodesia." The Statement of Policy concluded that "it is essential that your companies continue, as in the past, to take all available steps to assure compliance with Mobil Oil Corporation's policy." Mr. Klaerner also told Mr. Beck orally, as well as in writing (Exhibit 9) that Mobil's inability to conduct the investigation in South Africa does not affect Mobil's position of insisting that all measures permitted under South African law be taken to ensure that Mobil South Africa and its employees do not violate Mobil's policy in this regard. Mr. Beck reconfirmed that his Board's earlier resolution remained in effect, and that the supply of products to Mobil Rhodesia which was discontinued in 1966 has "never been recommenced."

On that same day, August 10, Mr. Klaerner, Mr. Checket and Mr. Fowler met again with Ambassador Bowdler in his office where they summarized the situation.

Mr. Klaerner outlined the substance of the detailed written legal opinions of Mr. Friedman and of Mobil South Africa's counsel, which had been received since the first visit with the Ambassador. He pointed out that the thrust of these opinions is that seeking the information while in South Africa would be a violation of the Official Secrets Act, and that Mobil South Africa cannot furnish the information because it would necessarily become public by reason of Mobil's being subject to compulsory process by the U.S. Treasury Department and perhaps other U.S. Government entities; that if the Mobil representatives should approach any South African citizen asking questions, the law requires that person to immediately report them to the South African authorities and that a criminal prosecution could ensue. The Mobil representatives said that while the advice was frustrating in terms of their mission, they felt they had no alternative but to act in accordance with it. The Ambassador indicated no disagreement with the advice given to Mobil on the Official Secrets Act.

Mr. Klaerner also mentioned that he and his colleagues had reviewed the Information Act with counsel, and had found that unfortunately the provision in the statute for the release of information with Government approval does not extend to matters covered by the Official Secrets Act. The Ambassador indicated he was not surprised at this legal advice since he and his advisers had looked into the matter further and had reached the same conclusion. He again acknowledged his understanding that the South African Government was not prepared to release to outsiders data pertaining to the distribution of petroleum products, imports and the like.

Mr. Klaerner told the Ambassador of the meeting with Mr. Steyn, and reported that Mr. Steyn had emphasized that the South African Government for many years has maintained a "firm policy" that a seller cannot require commitments as to destination or use or withhold goods from a willing buyer. Mr. Klaerner said that Mr. Steyn had indicated that if this Government policy was a matter of concern, it was not for a private business corporation to seek a change but rather it should be addressed on a government-to-government basis.

The Mobil representatives left with the Ambassador a copy of the principal types of questions they had intended to pursue in conducting their investigation of the charges against Mobil (exhibit 10).

The New York representatives had considered visiting Rhodesia to conduct an inquiry there, or inviting Mobil Rhodesia personnel to come to South Africa for interviews. As it turned out, this also was not possible.

In a separate legal opinion, Mr. Friedman advised that Rhodesia's Official Secrets Act is virtually the same as South Africa's, and that, in addition, Rhodesia had even more stringent laws against anyone's seeking or giving information on activities relating to the Sanctions Resolutions of the United Nations.

Mr. Friedman said that even the attempt by the three Mobil representatives to seek the kind of information they wanted would likely bring about swift action by the Rhodesian Government. The risk of carrying out such a mission would be so great, Mr. Friedman said, that the New Yorkers should not even visit Rhodesia, and should not ask anyone from Mobil Southern Rhodesia to meet with them outside the country for the purpose of providing information to Mobil Oil Corporation.

Accordingly, after further considering the matter, the Mobil team left South Africa and returned to New York.

(C) THE OPINIONS RECEIVED IN SOUTH AFRICA AS TO SOUTH AFRICAN AND RHODESIAN LAW

Copies of the opinions of Mr. Charles Friedman, dated August 9 and 10, 1976, with respect to provisions of South African and Rhodesian law respectively, are attached hereto as exhibits 11 and 12, together with their respective enclosures. The enclosures include copies of the opinions delivered to Mobil South Africa by their own counsel, J. J. Fagan, senior counsel of Cape Town, and copies of pertinent laws that are cited in the opinions.

The lengthy opinions of these South African counsel may be summarized as follows:

(1) Neither Mobil Southern Africa nor any of its directors, officers or employees can comply with the order of the U.S. Treasury Department or take part in the investigation or submit to questioning or take part in the removal of the records required to be produced by the Treasury Department order without committing a breach of one or more sections of the Official Secrets Act;

(2) If any of the directors, officers or employees of Mobil Southern Africa is informed of the intention to carry out the proposed investigation in South Africa, and the Mobil representatives request him to cooperate, it will be an attempt to commit a breach of one or more sections of the Official Secrets Act, the penalty for which can be imprisonment, without the option of a fine, for fifteen or more years; and any director, officer or employee of Mobil Southern Africa who is so informed will be obliged immediately to report that fact to the authorities.

(3) The actual carrying out of the investigation in South Africa by the Mobil representatives would be a breach of one or more sections of that Official Secrets Act which could result in the penalties referred to above;

(4) Even if it be assumed that the result of the investigation or questioning would show that the allegations made and the documents quoted in the charges made by the United Church of Christ are false, such an investigation or questioning nevertheless could not possibly be carried out without committing a breach of one or more sections of the Official Secrets Act;

(5) There is no possibility of obtaining a declaratory order from any court in the Republic of South Africa that the proposed investigation would not be a breach of any law of the Republic of South Africa;

(6) The Government of the Republic of South Africa does not have the power to authorize the carrying out of any act which is a breach of the Official Secrets Act. The decision in regard to a prosecution for such a breach rests entirely with the Attorney General of the province concerned and he, in turn, is not subject to any direction from the Government of the Republic in regard thereto. Consequently, if facts are reported to him which show that there may have been a breach of any section of the Official Secrets Act, he would then be duty bound to authorize a prosecution therefor;

(7) Rhodesia has an "Official Secrets Act" which is virtually the same as that of the Republic of South Africa, and in addition has other laws and regulations in regard to "espionage" and "counterespionage" in respect to the Sanctions Resolutions of the United Nations which were applied to Rhodesia. Any of the following acts by representatives of Mobil Oil Corporation from New York would constitute a breach of those laws:

(a) any examination in Rhodesia of the "records, correspondence, telex messages, memoranda and other papers" in the custody and control of Mobil Rhodesia which are the subject of the Order of the U.S. Treasury Department;

(b) taking possession in Rhodesia of those "records, correspondence, telex messages, memoranda and other papers";

(c) investigating in Rhodesia the purchase by anyone in Rhodesia of petroleum products or the supply of petroleum products to anyone in Rhodesia; or

(d) the questioning in Rhodesia of anyone in regard to the matters referred to above or in the charges made by the United Church of Christ.

(8) Any attempt by representatives of Mobil Oil Corporation in the course of a visit to Rhodesia to carry out any of the matters referred to in the preceding paragraph would have to be reported immediately by the director, officer or employee concerned of Mobil Rhodesia or anyone else in Rhodesia who becomes aware of that fact to the Rhodesian authorities; and that would result in immediate action being taken by the latter under the laws of Rhodesia;

(9) On the basis of the advice set forth above, Mobil's New York representatives were further advised that they should not visit Rhodesia, should not communicate with any director, or employee of Mobil Rhodesia in Rhodesia and should not ask any Mobil Rhodesia personnel to meet them outside Rhodesia for any purpose connected with the investigation of the charges made by the United Church of Christ. Cooperation by personnel of Mobil Rhodesia in such investigation could result in their imprisonment.

3. Further Efforts to Investigate the Charges

In addition to searching its New York files and making every effort to investigate further in Africa, Mobil has made still other efforts to determine the truth or falsity of the charges made by the United Church of Christ.

George A. Birrell, General Counsel of Mobil Oil Corporation, has sought further information from the Reverend Larold K. Schulz who was prominently involved in releasing these charges to the press. Mr. Birrell's letter to Rev. Schultz, dated August 31 (Exhibit 13), which has elicited no response as of the date of this Report, was in part as follows:

"Please refer to the report of the Center for Social Action of the United Church of Christ entitled "The Oil Conspiracy" which you released to the press on June 21, 1976. As you are aware, your report very carefully does not put the United Church of Christ in the position of vouching for the accuracy of the charges made by your informants.

"Ever since we received a copy of that report we have been attempting to determine whether any of the charges contained in it have any validity. To date we have been unable to find any evidence which supports the charge that Mobil Oil South Africa was supplying petroleum products to Mobil's Rhodesian affiliate and our South African affiliate has denied the charge. But . . . our efforts to investigate this matter in South Africa have been stalled by the diametrically differing policies of the United States and South African governments relating to the matter of boycotting Rhodesia.

"Under these circumstances, we feel compelled to call upon you to cooperate with us in an effort to determine the truth or falsity of these charges. In your press statement of June 21, 1976, and indeed in the report itself, you have referred to the fact that you have information in addition to that contained in your report. In the report itself you have stated that in the interests of space you are not including the complete set of 20 supposed Mobile documents, and you have included only parts of certain of the documents. Furthermore, your press release also referred to a detailed memo from "Okhela" which summarizes the results of its research.

"In view of the efforts you have made and are making to publicize these charges against Mobil Oil Corporation, I am sure you will agree that fairness requires you as a clergyman and a representative of the United Church of Christ, to do everything you can to assist us to ascertain the truth or falsity of these now widely publicized charges. Therefore, I respectfully request you to make available to us the remainder of the supposed Mobil documents which you have said are in your possession and the Okhela memo which you described in your June 21, 1976 press statement. I also respectfully request that you provide us with the identity of your sources of information so that we can attempt to interview those individuals ourselves, and any other relevant information which may be available to you."

Furthermore, Mr. Birrell was successful in establishing contact by telephone with Mr. R. H. Maskew, the former employee of Mobil South Africa who was named in the United Church of Christ charges as the alleged recipient of a 1968 letter (document #16) from Richard Van Niekerk in Rhodesia.

Mr. Birrell, at the outset of the conversation referred to the South African Official Secrets Act and suggested to Mr. Maskew that he might want to consult counsel before answering the questions he was about to hear. Then Mr. Birrell proceeded to inquire whether Mr. Maskew had ever received the letter referred to above. Mr. Maskew replied without hesitation. He said that a letter of that kind is one that he would certainly have remembered if he had received it, that he had no recollection of it, is not familiar with its contents, and denied categorically that he ever received it.

As to other questions relating to the U.C.C. charges, Mr. Maskew declined to answer. He explained that he presently has an assignment with the Government on a totally unrelated matter and, in that connection, is familiar with the Official Secrets Act. He understands that this statute prohibits his answering further questions about the United Church of Christ charges.

Mr. Birrell also established contact by telephone with Mr. Richand Van Niekerk in Salisbury, who refused to comment on the question of authenticity of the above-mentioned document or on any other aspect of the U.C.C. charges, by reason of Rhodesian legal restrictions, but stated that no inferences should be drawn for such refusal.

F. THE TREASURY DEPARTMENT INVESTIGATION

Promptly after the United Church of Christ issued its charges, the U.S. federal agency responsible for enforcing the Rhodesian Sanctions began a review of Mobil activities. On June 30, this agency, the Office of Foreign Assets Control of the Treasury Department, served Mobil with an order for the production of documents in its custody and control at its corporate headquarters in New York and also for the production of documents which are in the custody and control of Mobil South Africa and Mobil Rhodesia. Since that time the Treasury Department investigation at Mobil has been conducted on a continuous and intensive basis.

Mobil counsel and other Mobil personnel have met with representatives of the Foreign Assets Control Office on numerous occasions, and have furnished voluminous reports and documents, including not only those called for by the Order of June 30, but also many others requested by the Government representatives as their investigation progressed. Whenever documents or reports which are available to Mobil have been requested, Mobil has produced or prepared them. In no instance has Mobil declined to produce any documents or information requested, or refused to provide for Government interview any personnel whom the Government has requested to interview.

The Government representatives have interviewed Messrs. Checket, Adams, Solomon and Klaerner, among others. In no case has any witness declined to answer any question that was asked.

On August 19, the General Counsel of Mobil's International Division went to Washington to report in detail on the South African trip of the Mobil team, to officials of the Office of Foreign Assets Control. Among other things, he informed the Government representatives of the advice of South African counsel recounted above and the substance of the team's visits with the South African Secretary of Commerce and the U.S. Ambassador.

The investigation by the Office of Foreign Assets Control is continuing and Mobil will continue to cooperate. To date Mobil does not consider that there is any reason to believe that the results of the U.S. Government investigation will differ from the results of Mobil's own investigation, i.e., that there has been no violation of the Rhodesian Sanctions Regulations.

G. LEGAL REQUIREMENTS OF SOUTH AFRICA GOVERNING THE SALE OF PETROLEM PRODUCTS

Mobil South Africa, as explained above, is committed as a matter of policy not to make any sales of petroleum products to Rhodesia. It is clear, however, that under South African law and Government policy it is beyond the power and competence of Mobil South Africa to guarantee that under all circumstances products sold to customers in South Africa will not be subsequently transshipped to Rhodesia. Nor is there anything Mobil can do as shareholder to achieve such a guarantee, short of cuting off crude and product supplies to South Africa and, even then, it must be assumed the South African Government would have the legal means and crude availability to require the affiliate to continue in business under its direction.

The recent opinion of Mobil's outside counsel in South Africa on this point is clear-cut, and is quoted below:

(a) All oil companies in the Republic have been legally obliged and are still legally obliged—

(i) not to impose on anyone else in the Republic (whether a person, partnership, association, body of persons or corporation) any condition or reservation of any nature whatever in regard to the use, re-sale or distribution or destination of the petroleum products purchased by the latter from any of those "oil companies";

(ii) not to sell their petroleum products subject to the condition or reservation referred to in (i);

(iii) not to refuse to sell their petroleum products to a proposed purchaser who can pay the purchase price thereof.

(b) As a result MOBIL SOUTHERN AFRICA, as one of those "oil companies" in the Republic—

(i) has not been and is still not permitted to sell its petroleum products to anyone in the Republic subject to the condition or reservation referred to in (a);

(ii) may not attempt or induce or persuade any purchaser or proposed purchaser in the Republic of its petroleum products to give or offer to give such a condition or reservation;

(iii) does not have the right to ask any purchaser or proposed purchaser in the Republic of its petroleum products whether the latter intends to sell or supply the same to anyone else or to give MOBIL SOUTHERN AFRICA any information in regard thereto;

(iv) may not refuse to sell its petroleum products to a proposed purchaser in the Republic who is prepared to pay the purchase price thereof even if MOBIL SOUTHERN AFRICA knows the purpose for which that proposed purchase will be made or the destination of the petroleum products in question.

Mr. Friedman's opinion then says that a breach by Mobil South Africa of those restrictioins would have "the most serious legal and other consequences" for that affiliate.

This opinion coincide with information from other sources that it is known that South African Government policy has been firmly opposed to "conditional selling" of essential commodities for many years. The Government's ability to enforce that policy is supported by various legislative provisions. The South African Price Control Act, No. 25 of 1964 (Exhibit 14) provides in Section 9(1) that the Government may—"prohibit the sale of any goods . . . subject to conditions specified in the notice, or the refusal to sell any goods . . . except subject to conditions so specified."

The War Measure No. 146 of 1942 (promulgated under Proclamation No. 139 of 1942) provides that the Government may—". . . order any person owning or having power to dispose of or being in possession or control of any controlled material, to dispose of any controlled material to such other person and in such manner as may be directed in the said notice, upon payment by the last-mentioned person of the cost of such controlled material plus a percentage of such cost or an amount fixed in the said notice . . ."

A government Notice No. 1906 of November 20, 1964 declares that under the foregoing Proclamation, "controlled" goods include "all petrol and oil, including fuel and lubricating oil . . ."

Thus, it appears that a notice by the Government to the effect that petroleum products cannot be sold subject to a use or destination commitment, would have the force of law under one or both of the aforementioned statutes. Any such notice issued prior to July 19, 1971, would continue in effect pursuant to the National Supplies Procurement Act No. 89 of 1970 (Exhibit 15), which superseded War Measure No. 146 of 1942 but expressly provided that notices previously issued continue in effect under the new Act.

This new statute similarly provides that "Whenever the Minister deems it necessary or expedient for the security of the Republic," he may on such conditions as he may determine prohibit the disposal or use of any goods "either generally or except in accordance with such conditions as may be . . . specified by him."

As described elsewhere in this Report, a representative of the South African Government has specifically advised Mobil Oil representatives that a "firm policy" has been in effect for many years that destination commitments, or a refusal to sell for lack thereof, will not be permitted, and that the Government has adequate legal means available to enforce that policy. On that

basis, it must be assumed that in fact the Government has issued such a directive, the contents of which have not been published by the Government.

There can be no question that compliance with the "firm policy" of the South African Government is required of Mobil South Africa. As appears from the texts attached as Exhibits, the pertinent statutes impose criminal penalties, including imprisonment, for non-compliance.

It should be noted that Mr. Friedman's opinion only states that destination commitments cannot be required on sales to "anyone else in the Republic or any purchaser or proposed purchaser in the Republic." This would seem to coincide with the proper limits of jurisdiction of the South African Government, which presumably has no legal responsibility to protect foreign purchasers from undue restraints on use of purchased product. Accordingly, it is our understanding that Mobil South Africa remains legally free to decline to sell to any purchaser who is obviously a Rhodesian entity, or anyone who is plainly acting as a mere agent for a Rhodesian purchaser.

The foregoing opinion of Mr. Friedman and this analysis are thus consistent with the early advice of Mr. Beck, in 1966, that the Government required the continuation of "normal course of business" sales by Mobil South Africa, but did not require the affiliate to make "direct sales to anybody in Rhodesia or for direct transportation to Rhodesia." Mobil South Africa cannot issue an insurance policy that none of its customers will resell to Rhodesia, but neither is it required to effect sales to Rhodesia since they would not be in the "normal course of business."

On balance, this is consistent with Mobil policy, the U.S. Regulations and U.S. Government policy. To suggest that the U.S. Government or Mobil Oil can or should somehow require Mobil South Africa to do more—to be an absolute guarantor in respect of all its customers—is unrealistic, unnecessary and, ultimately, unseemly as a potentially inappropriate intervention in the domestic affairs of a sovereign foreign nation.

H. CONCLUSION

As indicated above, this Report reflects an intensive investigation of the U.C.C. charges through all avenues of inquiry available to Mobil, and the results establish there has been no violation of the U.S. Rhodesian Sanctions Regulations. It seems clear there is nothing further which Mobil can do to resolve the matter, which involves matters of national policy required to be handled on a government-to-government basis.

[Attachments to the report are in the Committee files.]

MOBIL VIOLATION OF U.S. LAW

Mr. BIRRELL. I want to make three points today. One, Mobil has violated no U.S. law. I was very much interested that just a few minutes ago, the Reverend Schulz now doesn't even claim that we did.

Senator CLARK. I think his comment was "no comment."

Mr. BIRRELL. To me, "no comment" is, "I don't claim you violated the law," Senator.

VIOLATIONS OF COMPANY POLICY ON RHODESIA

Two, we have pushed to the limit our investigation to discover whether our South African affiliates violated company policy on Rhodesia, a policy which went far beyond the requirements of U.S. law. In other words, the issue here is not whether we violated U.S. law, if our South African affiliates supplied products to Rhodesia, because the law does not apply to our South African affiliates. Our policy does, however.

AUTHENTICATION OF DOCUMENTS

The Official Secrets Act of both South Africa and Rhodesia have prevented us from carrying the investigation to a conclusion. The

real issue here, Senator, is the differing policies of the United States and South African Governments toward the U.N. boycott of Rhodesia. Mobil is caught squarely in the middle between these two policies. The third main point I would like to make today is that not even our accuser, Reverend Schulz, can help determine whether these documents are clever forgeries or authentic business papers. He not only doesn't know who gave him the documents, he never even saw those persons or made any effort to check their backgrounds or reliability as sources of information.

Let me now turn to the issues.

Senator CLARK. May I ask if you feel you have made an effort to authenticate these documents in the same way?

Mr. BIRRELL. We believe we have done everything humanly and legally possible to try to determine the extent, not only to which these documents are authentic, but the extent to which even if they are, they were ever sent, received and acted upon.

As you know, the United States honors the U.N. resolution calling for an economic boycott of Rhodesia. Under U.S. Government regulations implementing the boycott, no person subject to the jurisdiction of the United States can transfer property which involves merchandise destined for Rhodesia. This prohibition applies to any U.S. corporation, such as Mobil Oil Corp., and to any U.S. citizen but not to a South African.

SOUTH AFRICAN AFFILIATES COMPLIANCE WITH COMPANY POLICY

In early 1966, our South African affiliates agreed to comply with Mobil Oil Corp.'s policy, under which company affiliates do not sell to Rhodesia. This policy goes beyond the requirements of U.S. law. South African law, on the other hand, not only does not prohibit sales to Rhodesia since South Africa does not honor the U.N. boycott, but bars certain impediments to such trade in its internal commerce. Nevertheless, we have over the past 10 years made it clear to affiliates—including our South African affiliates—that our company policy is not to sell to Rhodesia and that we expect strict compliance with it.

Up to June of this year, we had absolutely no reason to believe that this policy was not being followed.

First, Mobil's South African affiliates had accepted a company policy and periodically asserted compliance with the policy.

Second, there were several other easy ways in which Rhodesia could get the petroleum products it needed, some 10,000 barrels a day. Products could have come from or through either Mozambique, until recently a Portuguese colony, or South Africa. There were two Government-owned sources in South Africa itself—the 4,500-barrel-a-day Sasol oil-from-coal plant and later the 72,000-barrel-a-day Natref refinery, both near Johannesburg.

Third, not one scrap of management information flowing out of South Africa was inconsistent with the periodic reaffirmations from South Africa that the 1966 policy decision was being observed, and Mobil Rhodesia has consistently identified Genta, a Rhodesian Government agency, as its source of supply.

For these reasons, we were shocked to learn of the United Church of Christ report. We immediately telephoned the manager of our two South African affiliates, Bill Beck. His instantaneous and unequivocal reaction on the phone was that company policy had been scrupulously observed. We then sent him a copy of the United Church report and asked him to give us a complete report on that document.

Senator CLARK. If I may interrupt you, did he reply to that request? Did he give a complete report?

Mr. BIRRELL. That is what I am coming to.

In the latter part of July, Mr. Beck told us that, because of the Official Secrets Act, both of Mobil's South African affiliates would have to refuse any comment on the contents of the United Church of Christ report, and would have to decline to provide information requested in an administrative order served on Mobil Oil Corp. by the U.S. Treasury.

We were advised separately that Mobil Rhodesia was in a similar situation because of the Official Secrets Act of Rhodesia. When we received these replies, which I have to say to you were quite a shock, a high-level team of executives was sent to South Africa to make an on-the-spot investigation. This team consisted of the two top executives of Mobil's International Division and its general counsel, Mr. Fowler.

These three executives consulted one of the leading South African lawyers. His advice was that if the Mobil visitors attempted to carry out any investigation in South Africa, they themselves would be subject to prosecution as foreign agents under the Official Secrets Act. The executives were further advised that, under the laws of Rhodesia, they would run a substantial risk of arrest if they were simply to enter that country for this purpose.

The Mobil investigating team twice discussed their problems with the U.S. Ambassador to South Africa, William G. Bowdler, and left with him a list of the questions they wanted answered. Mr. Bowdler, in the second of those meetings, indicated that the legal advice we were getting about the Official Secrets Act was consistent with his own impression and could offer no solution to the dilemma.

The Mobile team also conferred with Mr. G. Steyn, the South African Secretary of Commerce, about the obstacles which the Official Secrets Act placed in the way of their investigation. Mr. Steyn said the South African Government expected Mobil South Africa to comply with its laws and that this duty was paramount.

He added that a longstanding South African Government policy which predates UDI [Unilateral Declaration of Independence] required sales to willing and able buyers and prohibited use of destination commitments. This, he added, applied to dealings with all customers domiciled in South Africa. He stated finally that these were matters of South African Government policy and the matter could be discussed only on a government-to-government basis.

So, the South African phase of our investigation came to a dead end.

OFFICIAL SECRETS ACT OBSTACLE TO INVESTIGATION

Senator PEARSON. Mr. Birrell, are you telling the committee that Mobil has no power to investigate this incident or charge in South Africa because of the Official Secrets Act?

Mr. BIRRELL. That is correct.

Senator PEARSON. Have you ever run into this before in seeking to clear any sort of company information?

Mr. BIRRELL. It is unusual. It is unusual in South Africa. The normal situation is that when information is requested for use in the company business, an affiliate is happy to respond. The important thing here is the purpose for which the information is sought. The purpose here was, in part, to make it available to the U.S. Treasury by a Government that has a different policy in respect to petroleum supplies to Rhodesia and that in the opinion of the South African lawyers which I gather was confirmed by the Secretary of Commerce and was consistent with what the U.S. Ambassador was being told, was a subject matter that would, if disclosed for that purpose, would subject the South African Nationals who run our company there, to prosecution under their laws.

Senator PEARSON. Can this inhibition be waived on a government-to-government basis?

Mr. BIRRELL. One of the things we looked into was whether or not any South African Government official had the statutory power to grant an exemption under the Official Secrets Act. There is none. On a government-to-government basis, I am sure that if the South African Government were willing to provide the information to the U.S. Government, there would be no problem under the Official Secrets Act.

REASON FOR INVESTIGATION ROADBLOCK

Senator PEARSON. You hit a roadblock. Was that because in seeking to make this information available, people were just merely informed of the law, or did the South African Government itself indicate that this was a violation? Are you operating under your own legal instructions or are you operating under the admonition of the Government of South Africa?

Mr. BIRRELL. I wish I were in a position to answer that question. One of the things that we do not know is what communications the South African Government has had with our affiliate management. We do know that our lawyer, in his opinion, declined to provide us with the backup for one of the points he made because of the Official Secrets Act and we can only conclude that the reason was that there was in existence some directive from the South African Government which he could not disclose because of that act.

TREASURY OBTAINMENT OF INFORMATION

Senator PEARSON. If the Treasury Department seeks to obtain this information, will they be able to obtain it?

Mr. BIRRELL. They have, of course, sent an administrative order to us. We have sent that along to both our affiliates in South Africa and Rhodesia, with a request that they cooperate. We have had a formal response back from each of them saying that they are unable to

reply. That has been communicated to the Treasury Department, to Mr. Sommerfield. He expressed no surprise at that response.

Senator PEARSON. I just want to observe that the situation is such apparently that if any given companies in South Africa today violate the sanction, nobody could find out whether they had or not. That is an incredible assumption to make.

Senator CLARK. What it says is if you have an American company that has a subsidiary, they could openly violate the sanctions without any hope of ever stopping it because you could never investigate it, isn't that right?

Mr. BIRRELL. I would like to point out that it is not a violation of the sanctions for Mobil South Africa to supply products to Rhodesia. It is only a violation of the Mobil Oil Corp. company policy. Mobil Oil South Africa is incorporated under the laws of South Africa, its management is made up of South African citizens.

They must obey the laws of South Africa, just as American subsidiaries of foreign companies must obey the laws of the United States when they operate here.

Senator CLARK. I stand corrected on that. What I mean to say is that the intent, the spirit of the sanctions could be violated by a wholly owned subsidiary of an American corporation, such as yours, openly and consistently without violating the law. I think that is interesting.

Mr. BIRRELL. That is correct. You may not be aware, it is in our report, that this issue has come up explicitly in Rhodesia. A couple of the mining companies were faced with a situation in which the Rhodesian Government, under various of their statutes, in effect directed the subsidiary of the American company to take some actions with respect to their mining operations which violated the Rhodesian sanctions regulations.

The company raised with the Treasury Department a question of what could they do? The Treasury Department said as a matter of policy, we will not attempt to apply our regulations in that kind of situation.

Senator CLARK. Let me ask just briefly because I think we want to hear the rest of your paper, if you had asked for this information without stating the purpose, would they have given it to you? I assume you are routinely requesting information.

Mr. BIRRELL. Let me say this; if the reason for wanting the information had been some internal purpose, a reorganization, a new capital investment, I have no doubt they would have responded.

Senator CLARK. I guess I am asking the question that Senator Pearson asked first, have you ever been refused in the history of the company before?

Mr. BIRRELL. Yes; indeed.

Going back to the 1950's, I don't know whether you remember, Senator, but the U.S. Government brought an antitrust case against the international oil industry. A subpena was issued calling for the production of documents from all over the world. We ran into very considerable difficulty. The British Government issued a directive to the American companies that they weren't to respond to that subpena.

Senator CLARK. Can you think of any cases other than that one? That is a good illustration.

Mr. BIRRELL. That is the only one I remember.

STATISTICAL INFORMATION TO GOVERNMENT AGENCIES

Senator CLARK. Do you continually get information that is turned over to other Government agencies on a somewhat regular basis for statistical and other purposes?

Mr. BIRRELL. I am sure that we get a lot of financial information which is in effect consolidated in our Mobil income statements, balance sheets, which is reported publicly. I don't know that we very often have occasion to report information relating to a specific country in a way that it could be separately identified.

Senator CLARK. Go ahead and continue your paper.

INVESTIGATIONS FROM NEW YORK PRESSED

Mr. BIRRELL. So, the South African investigation came to a dead end. But we continued to press our inquiries from New York.

On the Saturday before Labor Day, I reached R. H. Maskew, a retired executive of Mobil South Africa, by phone. Maskew is the listed addressee of one of the two documents which directly tie Mobil South Africa personnel into the supposed supply scheme. This was supposedly written in 1968 by Richard van Niekerk, an employee of Mobil Rhodesia.

The document outlines in detail a scheme for indirect secret supplies. Mr. Maskew declined because of the Official Secrets Act to discuss the matter of petroleum product supplies to Rhodesia, but he did repeat emphatically several times that he would surely remember such a piece of paper, that he had never received such a document, and finally, that he had no knowledge of it.

Several days later, I was also able to reach Mr. van Niekerk in Rhodesia by telephone. He simply declined to comment in any way because of the Official Secrets Act of Rhodesia. As you know, we have also asked Reverend Shulz for his cooperation. It is surprising that he really can't help us. He doesn't know who gave him the documents. They were anonymous voices on the telephone. He never saw the individuals. He can't identify them. His only check on probity and authenticity before publication, as he said earlier, was a study by several lawyers—incidentally, so far as I know, none of whom know anything about the oil business—from which he concluded the documents could not have been forgeries.

SOURCE REVELATIONS

Senator CLARK. I don't want to interrupt you, but I think it is extremely difficult for you to somehow imply that Larold Schulz could reveal his sources, but that Mobil Oil's subsidiaries could not under the Official Secrets Act.

Don't they stand the same liability on both counts? How would one expect your own people, your wholly owned subsidiary not to give you any information on the authenticity of these documents, but those people who presumably collected them could?

Mr. BIRRELL. The point is he has put forward some papers which we cannot reconcile with any other information we have. He has gone

to a great deal of trouble to publicize these documents for the purpose of blackening the name of Mobil Oil Corp. without even knowing where they came from or whether they are forgeries or what they are. I don't think that is very responsible behavior, Senator.

Senator CLARK. That is a different issue. We can discuss that. I think that is a valid question you raise, but I don't think one could expect a violation of the Official Secrets Act from one source and not from the other. That is what my point is.

Go ahead.

Mr. BIRRELL. OK. All this leads us to the conclusion that this may well be a skillfully contrived publicity scheme. An artful blend of fact and fiction about the unpopular oil industry may be being used to create a public outcry against the Government of Rhodesia and to hoodwink respected institutions like the United Church of Christ and this committee into being innocent abettors of that scheme.

Let me reiterate key points. There is absolutely no evidence in any papers we have seen that Mobil violated U.S. law. South African management has consistently reaffirmed their compliance with our Mobil Oil Corp. policy.

This really is a question which we are convinced can only be resolved on a government-to-government basis. Only if the U.S. Government will secure the cooperation of the South African Government can this aspect of the investigation be completed. Meanwhile, I repeat, we believe that we have done all that we can to secure compliance with both the letter and the spirit of the Rhodesian sanctions regulations.

As Reverend Schulz mentioned he presented us with a new document late yesterday afternoon. At some point, I would be very happy to comment on that document.

Senator CLARK. This would be a good time.

UNITED CHURCH OF CHRIST DOCUMENT

Mr. BIRRELL. He provided this document by messenger to my office in New York. I was in Washington at the time and asked my secretary to send the document to me over the facsimile machine. The document has two aspects to it, as you have brought out. One relates to the supply of oil to Malawi in which somehow Mobil Rhodesia was involved. The other is the statement in the first paragraph of the letter which suggests that on subjects which have security implications which might attach to Rhodesia, personal correspondence is acceptable but not otherwise.

Let me address myself first to the matter of oil supply. Malawi, as you know, is a landlocked country which lies north and east of Rhodesia. I believe it has no common border with Rhodesia. It is surrounded mainly by Mozambique and on the north by Zambia.

Mobil Oil Malawi is a separately incorporated company. It is not a subsidiary of Mobil Oil Rhodesia. It is a subsidiary of another Mobil Oil company unrelated to Mobil Oil Rhodesia.

The supply of petroleum products, lubricating oils and fuel prod-

ucts comes to Malawi from South Africa by sea to the Port of Beira and then through Mozambique up to Malawi. It has nothing to do with Rhodesia. It does not go through Rhodesia nor is it involved with their oil trade at all.

Senator CLARK. Just so I am clear, there would be no reason why Mr. Nicol would have any interest or be receiving any memorandum on that subject?

Mr. Birrell. No, that is the other point I wanted to make. Mobil Oil Malawi is a small operation. It has limited personnel, and sales advice and coordination historically come from the manager of our business in Salisbury. He is the one who advises them on pricing policy, on sales policy, and does that as a service to Mobil Oil Malawi in our system. That is the reason that Mr. Beck was writing to Mr. Nicol on that subject.

Senator CLARK. You believe he was writing to Mr. Nicol on that subject?

Mr. BIRRELL. Yes. There is no doubt of that because yesterday afternoon when I got the letter, I picked up the telephone and it took me a while, but I finally tracked Mr. Beck down in a hotel in Johannesburg.

I read Mr. Beck the first paragraph of the letter because it was obviously vital to find out whether he could help us with the meaning of the phrase, "security implications which might attach to Rhodesia." Does that have to do with petroleum products supply or something else?

I read him the first paragraph of the letter. I said,

I know the legal constraints under which you must operate, but I have to tell you, Bill, that it would be terribly helpful to be able to explain tomorrow what that phrase means.

Bill said,

I remember the letter very well. It was written because, as it indicates, one of the people in Rhodesia wrote to somebody in Mobil South Africa on a personal basis about the subject of pricing and supply policy in Malawi.

Bill Beck says that is contrary to company policy. There is "only one subject on which I will tolerate unofficial correspondence—security implications," he said,

My chief responsibility is to attempt to try to preserve and protect the physical assets of Mobil Rhodesia. Only if you want to tell me something about threats of vandalism, riots, plans to destroy our physical property in Rhodesia which you may not want to put in official correspondence which is seen by a number of people, can you use personal and confidential channels. Otherwise, all subjects are to be covered in official correspondence.

We were delighted to receive this because it explained one unexplained statement in the United Church report. There is a statement which says,

One thing that Bill Beck, Chairman of Mobil South Africa, apparently insists on is that when correspondence takes place between Mobil South Africa and Mobil Rhodesia, on the question of supply of oil products from the former to the latter, people should write on a personal basis.

There is no documentary support for that in the report. We were very curious as to the basis of that statement. Apparently, the basis

for that statement is this letter that Reverend Schulz finally released yesterday afternoon. He is just plain wrong. It doesn't relate to that subject at all.

As a matter of fact, it proves just the reverse. It proves that Bill Beck's policy was that there should be no unofficial correspondence about any subject that was a matter of company business between Mobil South Africa and Mobil Rhodesia.

So we are grateful to Larold Schulz for providing us with this document and putting us in a position to demonstrate that this statement of the United Church report is just plain wrong.

Senator Clark. Does that complete your statement?

Mr. BIRRELL. Yes, sir.

[Mr. Birrell's prepared statement follows:]

PREPARED STATEMENT OF GEORGE A. BIRRELL

My name is George A. Birrell, and I am Vice President and General Counsel of Mobil Oil Corporation.

As a representative of a company which has been doing business in South Africa continuously for 80 years, I welcome the opportunity to testify before you today. Events in Southern Africa are of obvious concern both to you and to us at Mobil, and I hope I can shed some light on the questions of American business involvement in Africa which are of interest to you.

I will begin by describing the scope of my company's operations in South Africa, and I particularly want to describe what I believe to be my company's positive contribution to improving the quality of life in that country for its employees of all races. I shall also describe my company's other efforts to provide social betterment in that country. Finally, I will talk on some of the issues of particular concern to this committee at the present time.

OIL COMPANY OPERATIONS IN SOUTH AFRICA

South Africa relies on oil for about 26% of its energy needs, and consumes about 91 million barrels of petroleum products a year (about 250,000 barrels a day). Of the energy from oil, about one half is used for transport; 36% is used by industry and only about 1% by the mining industry. Of the oil used as fuel, about 40% is sold as gasoline, 28% as diesel oil, 20% as fuel oil and 5% as kerosene.

Coal constitutes one of the most important basic industries in the country and the most important source of fuel and energy at low prices. Nearly 75% of energy demand is satisfied by coal, which is largely used for firing but also for conversion into gas and oil. Approximately, half the coal is used for generating electricity. With the completion in 1975 of a new port and harbor at Richards Bay, a substantial export potential of bituminous coal is foreseen. This could give South Africa a more prominent place in the international energy market, with closer trade relations with countries such as West Germany and Japan.

There are eight major oil companies and the state-owned corporation Sasol operating in South Africa. Six are wholly owned subsidiaries; one has a minority private South African shareholding; and one is a privately owned South African company quoted on the local stock exchange.

Four major international oil companies—Mobil, Shell, BP and Caltex—supply 75% of total inland demand for petroleum products and each has 18% to 22% of the market. CFP, the French national oil company, has a 10% share. The state-owned Sasol, Trek (a local equity company), Esso, and Sonap (a company backed by Portuguese interest), each has between 2% and 4% of the market.

Caltex is a wholly owned subsidiary of Texaco and Standard Oil Corporation of California. The company has operated in South Africa since 1940. A 65,000 b/d capacity refinery at Cape Town was completed in 1967. Caltex markets a full range of petroleum fuels and lubricants throughout South Africa and owns or supplies 968 service stations. Caltex owns a 23.8% equity in a Mobil operated lube oil refinery in Durban.

Shell and BP, which between them supply 40% of South Africa's oil requirements, are long-established wholly-owned subsidiaries of international British and Dutch corporations. Until 1975, when the companies were independently structured, they cooperated extensively in marketing and distributing fuels and lubricants in South Africa and shared terminal and depot facilities. Each company owns 50% of SAPREF—Shell and BP South African Petroleum Refineries—a 200,000 b/d capacity oil refinery situated at Durban; a 25% interest in Samco—a lubricating oil refinery; and 17.5% in Trek Beleggings Beperk—a privately-owned South African oil company. Shell and BP own or supply about 1700 service stations.

Shell, in partnership with major South African mining interests, is substantially involved in coal concessions and options, and has been active in petrochemical manufacture and marketing in South Africa for 26 years.

"Trek Beleggings Beperk," or Trek, may be described as the only genuine privately-owned South African oil company. It was established by Shell and BP in partnership with a large South African mining company and the state enterprise, the Industrial Development Corporation, which owns 9.5% of the equity. Trek is given priority by the South African government in the allocation of new service station permits. Out of the 340 new permits granted between 1973/7, Trek was allowed 100, 60 more than the basic quota allowed each of the foreign-owned oil companies.

Trek is supplied with products from SAPREF—the refinery owned by Shell/BP. Trek has a 50% participation in the Shell/BP lubricants refinery, and owns the largest lube re-refining oil company in South Africa, Chemico, a company which specializes in reprocessing waste oils into useful oils and greases. Trek owns or supplies 193 service stations throughout South Africa.

CFP, or Total, the French state oil company, qualifies with Trek as a local equity company and was allocated 60 preferential permits in terms of the South African Government's Service Station Plan.

Thirty percent of CFP equity is owned by a South African commercial bank and a mining finance corporation; both companies are quoted on the local stock exchange. Five hundred twenty-seven service stations are owned or supplied by Total. CFP has a 30% equity interest in the National Petroleum Refinery in partnership with the controlling shareholder, the government company Sasol, and the National Iranian Oil Company. CFP owns 19% of the Mobil-operated lubricating oil refinery at Durban.

Esso and Sonap entered the South African market in 1963 and 1965. Their marketing has been somewhat restricted, in the retail market by the Service Station Rationalization Plan (which I will discuss later) and in the commercial and agricultural markets by the difficulties of establishing a national distribution and sales network. One hundred fifty service stations are owned or supplied by these two companies.

Apart from private company operations, the following major government corporations are involved in the petroleum industry:

Soekor—Die Suid-Afrikaanse Oil Explorasie Korporasie was formed in 1965 by the government to explore for oil mainly offshore South Africa. No successful findings have been reported.

Sasol—Die Suid-Afrikaanese Seenkool, Olie- en Gaskorporasie was formed in 1950. It pioneered the refining of oil from coal in South Africa and produced the first Sasol gasoline in 1956. The Sasol plant produces about 4500 b/d of a wide range of products including low-octane gasoline, gas oil and miscellaneous chemical products. Although the gasoline produced is low quality, the total volume is small enough to absorb into the South African market. Sasol does not own stations. It sells gasoline through Sasol pumps situated at other company's stations mainly in the Johannesburg area. Sasol has announced plans to construct a second and much larger plant (about 40,000–50,000 b/d) which is scheduled for completion in 1981. These two plants could satisfy about 25% of South Africa's total demand for gasoline in the early 1980's. Sasol is reported to own extensive coal reserves and coal interests.

NAT REF—The National Petroleum Refinery of South Africa is a 72,000 b/d oil refinery built in 1971. Sasol owns 52.5% of the equity and her partners are the National Oil Company of Iran and the French oil company CFP who own 30% and 17.5% of the equity. The refinery is situated inland and is fed with crude from the coast by a government-owned pipeline.

MOBIL COMPANIES IN SOUTH AFRICA

Mobil carries on petroleum marketing, lube blending, crude refining, asphalt manufacturing and road surfacing, marine and insurance operations in South Africa and neighboring countries, through the following principal subsidiaries:

Subsidiary	Percent of shares owned	Activity
Mobil Oil Southern Africa (Pty.), Ltd. (MOSA).	100.0	Marketing in the Republic of South Africa and through branches in Mozambique and Southwest Africa.
Mobil Refining Co. Southern Africa (Pty.), Ltd. (MOREF).	100.0	Refining in South Africa with 100,000 b/d refinery at Durban.
Petroleum Transport International, Ltd. (PTIL)	100.0	Coastal shipping in South African waters to and from Durban refinery.
Westchester Insurance Company (Pty.) Ltd.	100.0	Insures Mobil's assets in South Africa and neighboring countries.
Vialit (Pty.), Ltd	100.0	Manufacturing and paving of road surfacing materials.
Roadmix Holdings, Ltd	26.0	Holding company for Roadmix (Pty.), Ltd., engaged in manufacturing and laying road surfacing materials.
South African Oil Refinery (Pty.), Ltd. (SAFOR).	32.9	Lube oil refinery at Durban. Remaining equity is owned by Caltex, 23.8 percent; CFP, 19 percent; and South African investors, 24.3 percent.

Each of these subsidiaries is incorporated in the country in which it conducts its principal activities. All the shares of each subsidiary are owned by Mobil Petroleum Company, Inc. (Mobilpet) except the shares in Valit, all of whose shares are owned by M.O.S.A. and S.A.F.O.R., owned by M.O.R.E.F.

Mobil commenced operations in the Republic of South Africa in 1897 when the Vacuum Oil Company (Vacuum), a United States corporation, established a branch in the Cape Colony. Vacuum was incorporated in South Africa in 1908 and subsequently expanded its operations to include nearly all of the adjacent territories in Southern Africa, the offshore islands of Madagascar, Mauritius and Reunion, Mozambique and the former British colonies in East Africa. In 1951 the operations in the islands and the East African territories were transferred to Standard Vacuum Oil Company (East Africa) Ltd., subsequently dissolved.

In 1962, Standard Vacuum Oil Company, which at that time owned all the shares in Vacuum, was dissolved and the shares in Vacuum passed to the present ownership of Mobilpet. Subsequently Vacuum changed its name to M.O.S.A.

In 1963, growing nationalism in the several newly independent countries in which M.O.S.A. conducted branch activities caused M.O.S.A. to incorporate its branch operations in Rhodesia, Malawi and Zambia. In 1975, separate corporations were established in Lesotho, Swaziland, and Botswana. The shares in all of these subsidiaries were subsequently transferred to Mobilpet. It is anticipated that M.O.S.A.'s branch operations in Mozambique will be incorporated in 1976 or 1977 and these shares will also be transferred to Mobilpet.

Total assets in the Republic of South Africa are valued at about $333 million.

M.O.S.A., and the subsidiaries which operate in the countries adjacent to South Africa, market a full range of petroleum products, including international jet fuels, international bunkers and asphalt used in the construction and surfacing of roads.

In 1975, the Southern African group held an estimated average share for all products of about 22% of the inland market and about 20% of the international residual bunker market.

The M.O.R.E.F. refinery at Durban, with a capacity recently expanded to 100,000 barrels per day, process about 60,000 barrels of crude supplies from Iran through Mobil.

M.O.S.A. obtains about 80% of its product requirements from M.O.R.E.F., most of the balance being purchased from the National Refinery (NATREF) operated by Sasol at Sasolberg.

M.O.R.E.F. owns 32.9% of the shares in S.A.F.O.R. which owns and operates a lubricating oil refinery at Durban and in which M.O.R.E.F. enjoys processing rights equal to 47% of capacity.

MOBIL COMPANIES IN SOUTH WEST AFRICA (NAMIBIA)

In response to the Committee request, I will comment briefly on Mobil's operations in South West Africa now known as Namibia.

Mobil began marketing petroleum products in South West Africa (Namibia) in 1920, at first through the Vacuum Oil Company of South Africa limited and from 1961 to 1976 through M.O.S.A. On September 1 of this year, we incorporated M.O.S.A.'s branch operations in Namibia as a separate entity. The net book value of the new corporation's assets is about $6 million. This includes inland depots, approximately 70 service stations, equipment loaned to trade, motor vehicles, office and miscellaneous equipment and intangible assets, including loans to service station operators, accounts receivable and cash. In addition there are some product inventories. Included in the figure of $5 million is the value of a coastal terminal at Walvis Bay. This, as you know, is not a part of the territory, having been legally joined to the Republic of South Africa many years ago.

American investment in Namibia. The U.S. Government announced that investment rights acquired through the South African Government following the U.N. termination of its mandate in 1966, will not be protected against the claims of a future lawful government in the territory. Export-Import Bank guarantees and other facilities are not available for trade with Namibia. In support of U.N. Security Council Resolution 310 (1972), U.S. firms doing business in the territory have been urged to seek to conform their employment practices to the Universal Declaration of Human Rights.

Mobil's operations in the territory are in accord with U.S. policy. As noted above ours is not an investment that has been made since 1966 but dates back to 1920. Mobil has not increased its investment in recent years and has no plans to do so. We do not have any manufacturing facilities in the territory, and we do not participate in exploration activities in the territory.

MOBIL'S EMPLOYMENT PRACTICES IN SOUTH AFRICA

The employment practices of Mobil and other American corporations operating in South Africa have for several years been of considerable interest to important segments of the American public. In response to expressions of this interest on the part of a number of groups in the United States, Mobil published and distributed in 1972 the first of two reports giving very considerable background information and statistical detail of Mobil's white and non-white employees, including their salary groupings, salary ranges and the applicable benefit plans in existence at that time. This report, entitled "Mobil in South Africa" and published in July 1972, is submitted as Attachment A.

In spring of 1975, an updating of this report was completed and distributed widely throughout the United States entitled "Mobil in South Africa: A Fact-sheet." The 1975 report updated employee information included in the 1972 report. The presentation covered, as in 1972, considerable background information and, additionally, supplied very detailed statistics on white and non-white job groupings, salary ranges, benefit plans and training programs. The 1975 report is submitted as Attachment B.

The main point is that it is Mobil policy in South Africa to pay employees equally for equal work, whether they are white or non-white. Some of the results of this policy are apparent from the following facts:

(1) One-third of Mobil's black refinery operators earn more than the average earned by white refinery operators.

(2) Twenty-five percent of the white refinery operators earn less than the average earned by black refinery operators.

(3) While four years ago 2% of our black employees were in salary group 6 and above, the beginning level of junior supervisory responsibilities, today 6.4% of our black employees are in salary group 6 and above.

(4) A comparable comparison for salary groups 3 to 5 is 40% in 1976 versus 15% in 1972.

In summary, we are confident that Mobil as an industry leader in employment practices in South Africa will continue to achieve significant progress in upgrading and rewarding the contribution which our non-white employees make to Mobil's business in that country. Independent observers, including some critical of American business involvement in South Africa, have reported that there are clearly definable trends which can be expected increasingly to facilitate the employment of non-white and, in particular, black South Africans. These trends include a severe shortage of skilled labor, the beginnings of a shortage in midmanagement positions, the beginnings of a more important role for black con-

sumers, and a slow but steady change in the overall environment insofar as non-white employment is concerned. It would be unrealistic not to recognize, at the same time, that obstacles continue to exist of which the most important seems to us to be educational inadequacies. We are reassured, however, by the progress we have been able in recent years to make in Mobil's own operations in South Africa and remain firmly convinced that Mobil, through its employment, compensation and training practices, is making a significant contribution to the lot of the non-white peoples of South Africa.

MOBIL PUBLIC SERVICE ACTIVITIES IN SOUTHERN AFRICA

Mobil has made contributions in the fields of education, health and welfare, and civic and professional projects, for a total expenditure of about $500,000 a year in this region. A more detailed report on these conrtibutions is attached as Attachment C.

SOUTH AFRICAN GOVERNMENTS INFLUENCE IN THE PETROLEUM INDUSTRY

I now turn to the question of government policies as they affect Mobil operations in South Africa.

The I.R.R.C. Report entitled "Labor Practices of U.S. Corporations in South Africa" published earlier this year commented on the active role played by the government in the economy; of its direct involvement through large government corporations in iron and steel production, transportation, communications and utilities; and of the effect government legislation and regulations on general industry and private business operations. Despite this apparently heavy involvement, the Report concludes that managers of U.S. companies in South Africa generally agreed that government decisions favor business interests, that government involvement was not troublesome, and that regulations and controls placed on certain industries were reasonable and negotiated rather than imposed.

This has also been Mobil's experience in South Africa where government corporations are directly involved in both the refining and marketing of petroleum products and where the onshore and coastal distribution of these products relies almost exclusively on government-owned rail and other facilities. A few examples of the major controls and regulations affecting Mobil's business operations in South Africa are summarized below followed by a brief description of government corporations directly involved in the petroleum industry.

Price Control

There is no legislative price control for petroleum products. However, Mobil, and we believe, other petroleum companies have a directive from government that no changes will be made to gasoline prices without their prior consent, and Mobil is required to inform the government should we intend to make any change in product prices other than gasoline. To my knowledge, the government has never unreasonably declined a Mobil proposal for a gasoline price increase. These price negotiations usually follow a prior agreed formula. The government has consistently accepted the principle that additional offshore cost of crude can be recovered in the marketplace in order that the businessman can maintain a reasonable rate of return on his investment.

Service Stations Rationalization Plan

This plan which has been in operation for some 15 years regulates the number of new stations permits available to each oil company and encourages the transfer and closure of stations which may be classified as uneconomic or obsolete or the stations are poorly located. This plan has held constant the number of stations at about the 1960 level while over the same period the average station gasoline volume has nearly trebled. (It perhaps should be noted that 75% of stations in South Africa are owned and operated by independent businessmen and not the international oil companies.)

In general terms, the current plan for 1973/1974 works like this:

Each of the eight oil companies operating in South Africa is permitted to add a maximum of 40 stations each to their present number. The five largest can add the first 20 stations each without restrictions, however, each can only add the additional 20 if they close down an equivalent number of "uneconomic" stations. The two local equity companies, Trek and CFP, have no restrictions on their first 40, and each have permits to open an additional 60 stations.

Thus, the current period therefore provides for a maximum net addition of 340 stations (320—(100)+120=340). The total number of service stations in South Africa is about 4,200 of which Mobil has 1,048. Of these, 345 are owned or leased by Mobil.

Road Transportation Act

The major factor in transportation in the Republic is the state-owned Railways who control either directly or indirectly through other state departments, not only the entire railroad system and Durban/Johannesburg pipeline, but also commercial aviation airfields and all ports and harbors. Except for certain very restricted areas, goods can move within the Republic only by utilizing the Railways' rail, road or air services.

In general terms, the Act restricts the oil companies and other businesses that use their own road delivery vehicles to distribute petroleum products or other goods to a 30-mile radius from their place of business, depot, or warehouse. Therefore, all movement inland from Mobil's coastal depots and terminals—except within the local 30-mile radius—must be made by rail or from Durban by pipeline.

Mobil in South Africa has some 97 bulk plants or depots roughly located at 60-mile intervals in those areas where consumption is sufficiently concentrated to make road delivery economical. Although the system may seem cumbersome and the intention of the Act is clearly to protect the state railroad from competition, the combination of a private and government-owned distribution network has provided an efficient system particularly in supplying the unpredictable seasonal requirements of the farmer and agriculture communities in outlying rural areas.

These numerous bulk plants and road vehicles are operated by salaried employees of Mobil and thus, in essentially a capital intensive industry, Mobil in South Africa has taken the opportunity of upgrading our black and non-white employees to some positions of responsibilities in managing and administering these depots and blacks have progressively replaced white drivers of bulk delivery vehicles.

Government Regulations to Promote Energy Conservation

Following the energy crisis instigated by the O.P.E.C. countries in late 1973, the South African government enacted a series of regulations designed to promote energy conservation. Speed limits of 37 miles per hour in built-in urban areas and 50 miles per hour on highways were strictly enforced. Operating hours at gasoline stations were limited on weekdays to daylight hours and stations were closed over weekends. These measures substantially reduced gasoline demand and restricted unnecessary and pleasure motoring.

Other economy measures introduced included lower air speeds, rationalized internal flight schedules and increased seating capacity on the state airline. Consumers were encouraged to use electric power rather than oil for home heating and industrialists were given incentives to convert major equipment to coal and coal gas rather than use residual fuel oil.

All these measures were generally accepted by the public and the petroleum industry as being reasonable and essentially in South Africa's best interests. In addition, a top level Commission was established of senior executives of the oil industry and private sector and senior government officials to study and evaluate future areas of oil and energy conservation and examine the practicality of legislation before its enactment. Similar regulations to conserve vital energy resources were enforced in the U.S.A. and many other countries and are well known.

Exhange Control

The South African Reserve Bank exercises control over the financial transactions between local companies and their foreign shareholders. For example, approval must be obtained before a non-resident can acquire shares of a South African company, or enter into a loan or licensing agreement with its local subsidiary.

Approval must also be obtained before a local company can repatriate dividends or capital to non-resident shareholders. It should be noted that payments made with respect to approved investments and agreements are usually freely remittable. In the case of large payments the government may request that remittances be made over a period of time rather than all at once. It is possible to remit capital even if the distributing company has accumulated earnings and profits if a good reason for such an action can be demonstrated.

Compulsory Storage Obligations

There are no statutory minimum inventory requirements. There is an administrative requirement by the South African Government that a minimum of 13 weeks inventory cover will be maintained for fuel sales. As crude oils and intermediate products may be deemed to contribute to this cover, the maintenance of 13 weeks cover imposes to burden as it is close to Mobil's minimum operating inventory requirement.

In addition, Mobil is expected to maintain 12 months cover in lubricant sales, but government finances 6 months imported raw materials and additives cover.

Mobil now also maintains a minimum of 12 months cover in imported consumable refinery catalysts and chemicals, half of which is financed by government.

Ecological

Existing environmental laws in South Africa affecting our refining operations include air pollution, effluent quality, noise and sea pollution. Smoke and SO_2 emission are the principal air pollution restrictions.

The 1973 Hazardous Substances Act requires precautionary labelling on all fuels, solvents and some light oils. The Act provides for the regulation of product specifications but no promulgations have yet been enacted.

Refinery Investments

The government has welcomed up to now the introduction by foreign investors of capital know-how and specialized skills and there are numerous financial incentives which encourage self-sufficiency in local manufacture and the substitution of imports by locally-produced items. The authorities recognize the benefits which are derived when economies of scale are maximized.

Approval by the Secretary for Industries is required for any major refinery capacity expansion or an investment in an additional major refinery unit—for example, aromatic solvent manufacture.

Physical Planning and Utilization of Resources Act of 1968

Certain restrictions, as embodied in the Physical Planning and Utilization of Resources Act of 1968, limit the establishment or expansion of commercial or industrial undertakings.

In terms of this act, which has been promulgated in order to promote industrial decentralization, the prior approval of the Department of Planning is required before any industrial expansion can be undertaken or new industry established which involves the additional employment of African workers in the major areas affected by this legislation. These include the southern Transvaal, the western cape and Port Elizabeth/Uitenhage area.

Official approval must be obtained from the exchange control authorities if any foreign exchange is involved. Such approval may be withheld and no import permits for raw materials, plant and machinery granted if, for various reasons, the authorities concerned do not regard the expenditure of foreign exchange for this purpose, justified.

Mobil has not been substantially restricted by the terms of this act. Natal Province, where its refinery is situated, is not an affected area, and the main thrust of the labour productivity studies undertaken by Mobil has been to upgrade blacks to more responsible positions in depots and warehouses and to eliminate or automate menial and repetitive tasks where possible.

U.S. LAWS BEARING ON OPERATIONS IN SOUTH AFRICA

Following the announcement in November 1965, by Ian Smith on behalf of the Government of Southern Rhodesia of what has become known as the "Unilateral Declaration of Independence," or UDI, the U.N. adopted a succession of boycott resolutions. The U.S. Government, in turn, took a series of legal actions in support of the boycott, which evolved finally in the execution by Lyndon Johnson of Executive Order 11419 on July 29, 1968, and the issuance of the Rhodesian sanctions regulations on August 12, 1968, all under the authority of the United Nations Participation Act of 1945. (The Department of Commerce had in December 1965 banned U.S. exports of petroleum products to Rhodesia and the reexport to that country of U.S. origin goods, pursuant to authority under the Export Control Act.) These regulations have continued in effect without substantial change to the present time.

The Rhodesian sanctions regulations prohibit certain transactions by persons defined in the regulations as subject to the jurisdiction of the United States. Such transactions include, among others, those involving merchandise, including petroleum products, destined for Southern Rhodesia or for the account of business nationals of that country. They also include transactions involving merchandise of Southern Rhodesia origin. Such persons are defined to include U.S. corporations and U.S. citizens, but not foreign subsidiaries of such companies, except those in Rhodesia. Thus, the prohibitions did not apply to Mobil's affiliates in South Africa, all of which are organized under the laws of that country and managed by South African citizens. Furthermore, U.S. regulations cannot require Rhodesian citizens to violate Rhodesian law in Rhodesia.

Although defining, in effect, Mobil's Rhodesian registered subsidiary as a person subject to the jurisdiction of the United States, other provisions of the regulations permit continued ownership of the company by Mobil and continued operation within Rhodesia of a petroleum marketing business by Mobil Rhodesia.

From the time of UDI in 1965, Mobil Oil Corp. effectively lost control of Mobil Rhodesia. As will be discussed later, direction of its activities was assumed by the Rhodesian Government.

Mobil Oil Corp. received periodic financial reports from the subsidiary through Mobil South Africa but provided no product supplies to Mobil Rhodesia and transferred no funds to the company. None of its profits have been received or taken into income by the parent in this period.

During this entire period Mobil Oil Corp. adopted and assiduously implemented a policy which went beyond the requirements of the Rhodesian sanctions regulations. The policy banned all supplies of petroleum products to Rhodesia and it applied to all of Mobil's subsidiaries, whether covered by those regulations or not. Thus, the policy, but not the regulations, applied to Mobil's South African incorporated and managed affiliates.

THE UNITED CHURCH OF CHRIST REPORT

Against this general legal background let me now turn to the report of the Center for Social Action of the United Church of Christ which was made public on June 21 of this year.

After over 10 years of extensive efforts to insure the observance of U.S. regulations and Mobil policy relating to trade with Rhodesia, after repeated assurances from our South African affiliate of compliance with those regulations and Mobil's policy in respect to trade with Rhodesia, which, of course, went beyond the requirements of the Treasury's Rhodesian sanctions regulations, it was a considerable shock to examine the report of the Center for Social Action and its charge that at least some employees of Mobil South Africa were supposedly cooperating in a scheme to provide petroleum products to Rhodesia. While it was conceivable that employees of Mobil Rhodesia might, at the explicit direction of the Rhodesian Government, have attempted to assist Genta, the Government petroleum procurement agency, to secure supplies of petroleum, it seemed inconceivable that any responsible employees of Mobil South Africa should have cooperated in such efforts. The situations in the two countries were very different.

As previously stated, shortly after UDI, the Rhodesian Government, acting under its Emergency Powers Act, took over direction of the petroleum industry. Since that time Mobil has effectively lost control over the operations of Mobil Rhodesia, and because of the Rhodesian Official Secrets Act has been able to secure very little information regarding certain aspects of its operations, notably procurement of petroleum products. The available information indicated that the Government, through Genta, secured all those supplies and made them available to the local petroleum marketing companies. The Rhodesian nationals who manage Mobil Rhodesia have consistently refused to discuss where Genta, in turn, acquires its supplies. It is pertinent, in this connection, that regulations issued under the Emergency Powers Act contain a provision under which the Minister of Labor is specifically authorized to direct a particular employee in a controlled industry to perform a particular task. There are criminal penalties for failure to comply with such a directive.

In South Africa, on the other hand, a different situation existed. Late in 1965 the United Kingdom had issued an order in council limiting the supply of crude oil and petroleum products to Rhodesia over which the U.K. claimed jurisdiction. Shortly thereafter, Mobil in New York received a request from the Department

of State that we and our affiliates, although not then legally required to do so, should comply with the British sanctions. At the same time, the U.S. Department of Commerce issued regulations, mentioned earlier, prohibiting the export from the United States, or the reexport of U.S. origin petroleum products to Rhodesia. In January 1966, Mobil Oil Corp. requested its South African affiliates to discontinue all petrolum product supplies to Rhodesia. This was a policy decision that went beyond and has continued to be beyond U.S. legal requirements.

After consultation with the South African Government, Mobil's South African affiliates advised that their boards had adopted resolutions formally requiring discontinuance of all petroleum product supplies to Mobil Rhodesia. Our manager in South Africa advised that the South African Government was willing to permit the adoption of such a policy which would prevent direct sales to Rhodesia, but the Government insisted that no public announcement of this policy be made and that sales in the normal course of business in South Africa not be acompanied by any attempts to restrict the use to which its customers should put those products. Our manager expressed the view that very little was likely to find its way to Rhodesia from Mobil's normal customers.

Thus, early in 1966, the basic policy of no petroleum product supplies to Rhodesia was set in place. Up until June 21, 1976 the management of the Mobil Oil Corporation had not a single reason to doubt adherence to the policy, and innumerable reasons to assume compliance.

First and foremost, a policy had been formally requested of and accepted by the South Africa Mobil affiliates.

Secondly, there was no reason why the South African affiliates should ever have been presented with the problem. This was so because there were ample sources of supply available to Rhodesia which were beyond the control of either the United States or British Governments. Neither the South African nor the Portuguese Governments honored the U.N. boycott of Rhodesia. There were at least two easy avenues of product supply to Rhodesia from overseas sources, one through the port of Beira in the Portuguese colony of Mozambique and thence by rail to north central Rhodesia. The other went through Lorenzo Marques, also in Mozambique, and thence by rail to the southern part of Rhodesia. There was, also, a Portuguese owned refinery near Lorenzo Marques in Mozambique called Sonarep. In addition, there were direct government-owned rail links from South Africa to Rhodesia. Within South Africa there was Sasol which had an oil-from-coal plant and, from 1971 on, a larger petroleum refinery called Natref in the Transvaal near Johannesburg.

The total petrolem product requirements of Rhodesia were small compared with the capacity of these available sources. For example, the Natref refinery alone had a rated capacity of 72,000 b/d, while Rhodesia's total petroleum product consumption is believed to be in the neighborhood of only 10,000 b/d. Thus, given the pro-Ian Smith policies of both the South African and Portuguese Governments, it was assumed that the relatively small petroleum product requirements of Rhodesia were being easily covered through these available sources and supply routes. There was, thus, no reason to believe Mobil's South African affiliate should ever have been confronted with any request or need to provide supplies to Rhodesia.

A third reason was that there had been periodic and written reaffirmations that the 1966 policy decision was unchanged and continuously being observed. Information passed back through Mobil's management information system was consistent only with this interpretation. For example, for financial reporting purposes, inter-affiliate sales are eliminated in their reports to the parent company. One of the supporting schedules, however, identifies the inter-affiliate sales which have been so eliminated. Since 1966, those schedules have shown no product supply transactions between Mobil's South African affiliates and Mobil Rhodesia. Mobil South African affiliates have periodically submitted written certificates that U.S. source petroleum products have not been sold for shipment to Rhodesia. Management of our affiliates in Africa have consistently identified Genta as Mobil Rhodesia's source of supply. There was, thus, literally not a single piece of information coming out of South Africa suggesting that our affiliates there were a source of supply for petroleum products to Rhodesia or, nothwithstanding the differing U.S. and South African Government policies toward the U.N. Rhodesia boycott, that they were under any pressure to become such a source of supply.

Although it was customary for an executive of the parent company located in New York or Paris to serve as a director of Mobil's South African affiliates,

the individuals so serving are not involved in or knowledgeable of the details of the affiliate's business. Such directorships are held for a technical, legal reason relating to communication between the shareholder and the affiliate. None of these individuals located in New York or Paris ever attended an affiliate board meeting, and such information as they received came to them in their capacity as representatives of the shareholder.

It should be noted that Mobil's relationship with its foreign subsidiaries is basically that of an investor. It controls capital investment recommending overall policy and establishes with affiliate management financial and general business objectives. The information furnished to the parent is limited for the most part to that which is necessary to monitor performance against those objectives. This consists primarily of periodic financial reports and total sales statistics. Information regarding sales to particular customers would not come to the shareholder unless it involved some new capital investment not included in the amount previously authorized. Thus, the Mobil Oil Corporation executives directly responsible for South Africa would have no regular access to the affiliates' customer list or individual sales outlets.

This was the posture of matters in June of this year when suddenly we were confronted with the report of the United Church of Christ.

Management's immediate reaction was one of shock, of disbelief. It was decided to make a full and complete investigation. The first step was a telephone call to the manager of our South African affiliates. His instant reaction was assurance that the policy of the Company had been scrupulously observed. We then sent him a copy of the United Church Report and requested him to provide us with a complete investigation and report.

By this time, of course, the Foreign Assets Control Administration of the Treasury Department had also instituted an investigation and had served on Mobil Oil Corporation an Administrative Order calling for the production of documents and information. This Order was directed, in part, to Mobil South Africa and, in part, to Mobil Rhodesia. This Order was also sent to our South African and Rhodesian managers with a request that they cooperate with the Treasury's investigation and furnish the requested materials.

In the latter part of July we were informed by our South African manager that because of the Official Secrets Act both of Mobil's South African affiliates would not only have to decline to provide information in response to the Treasury's Administrative Order but, also, they would have to refuse any comment on the contents of the United Church of Christ report. They had been advised that information regarding the refining, storage, reserves and distribution of petroleum products in South Africa was information which the Government would almost certainly consider covered by the Act. Under that Act, if a prosecution is initiated the defendant has the burden of proving that such information would not be useful to an enemy, actual or potential, and that the purpose for which the disclosure was made was not one prejudicial to the safety or interests of South Africa. Failure to sustain these burdens means conviction and imprisonment for up to 15 years. They were further advised that there was no legal mechanism for securing a waiver of these provisions.

Mobil in New York was advised separately that for similar reasons Mobil Rhodesia, likewise, could not respond to either the Treasury's Order or to the request for comment on the United Church's report.

Upon receiving this word a decision was made to send a high level team to South Africa to attempt to make an on the spot investigation. This team consisted of Curtis M. Klaerner, a Director, Executive Vice President and member of the Executive Committee of Mobil Oil Corporation and President of Mobil's International Division, E. S. Checket, the Executive Vice President of the International Division, and J. E. Fowler, the General Counsel of the International Division.

These three men consulted one of the leading lawyers in South Africa at length. The lawyer not only confirmed the advice previously given to Mobil South Africa by other counsels, but stated that if the Mobil visitors attempted within the Republic of South Africa to carry out any investigation of this subject they, themselves, would be subject to prosecution as foreign agents under the same Official Secrets Act. They were further advised that the laws of Rhodesia were even more severe than those of South Africa and that they would run a substantial risk of arrest if they were simply to enter that country where their known purpose was to investigate the subject of petroleum procurement.

This investigating team then painstakingly explored, with the lawyer acting as an intermediary, several issues. Would a simple denial by Mobil South Africa of the charges in the United Church of Christ report violate the Act? Yes, but the affiliate manager could represent that Mobil's South African affiliates had discontinued supplies of petroleum products to Mobil's Rhodesian affiliate in 1966 and had never recommenced those supplies.

What assurance could be given for the future that Mobil South Africa would not be the source of product supplies to Rhodesia? Mobil South Africa could properly reaffirm the policy. Could they go beyond this and condition sales on undertakings by buyers not to ship to Rhodesia? Such action would be a clear violation of the law and public policy of South Africa; such restrictions could not be enforced and, if attempted, could have the most serious legal and other consequences.

This opinion coincides with information from other sources that it is known that South African Government policy has been firmly opposed to "conditional selling" of essential commodities for many years. This policy is embodied in various legislative provisions. The first of these is found in War Measure No. 146 of 1942. Regulation 22 of the Proclamation provides, in part, that:

> "The Minister . . . may by notice . . . in writing directed to the person concerned—
>
> ". . .
>
> "(b) order any person . . . having power to dispose of . . . any controlled material, to dispose of any controlled material to such other person and in such manner as may be directed . . ."

Regulation 37 makes non-compliance a criminal offence punishable by fine or imprisonment of up to two years. Government Notice No. 1906 of 20 November, 1964, declared all petroleum products to be "controlled products" for the purposes of the Proclamation. All that was required to bring this Proclamation into effect was a simple notice from the Government, and it must be assumed this has in fact been done. Any such notice issued prior to July 19, 1971, would continue in effect pursuant to the National Supplies Procurement Act No. 89 of 1970, which superseded war measure No. 146 of 1942 but expressly provided that notices previously issued continue in effect under the new Act. This new statute similarly provides that "Whenever the Minister deems it necessary or expedient for the security of the Republic", he may on such conditions as he may determine prohibit the disposal or use of any goods "either generally or except in accordance with such conditions as may be . . . specified by him."

The Mobile investigating team conferred twice with the U.S. Ambassador to South Africa, William G. Bowdler. They explained the difficulties they were having in investigating the United Church charges because of the Official Secrets Act and left with him a list of the questions to which they were seeking answers. Mr. Bowdler indicated that he was not surprised at the legal advice we were receiving regarding the Official Secrets Act, since he knew information in the petroleum business was restricted by the South African Government. He expressed sympathy for the difficult position in which the Mobil investigation team found itself but could offer no solution.

There was also a conference with Mr. G. Steyn, Secretary of Commerce of the Republic of South Africa. The Mobil representatives explained that they were in South Africa to investigate the United Church charges, with which Mr. Steyn indicated familiarity, and that they had been advised they could not even make any inquiries by reason of the Official Secrets Act. They wanted Mr. Steyn to know of the advice they had received and the problems it created for Mobil back in the United States. Mr. Steyn made several comments. He said the South African Government expected Mobil South Africa to comply with its laws and that this duty was paramount. He then, on his own motion, referred to the long standing "firm policy" of the government requiring sales to willing and able buyers and prohibiting any requirement for use or destination commitments by customers. The Government had legal and other means available to compel compliance with this policy. He further indicated that the advice as to the Official Secrets Act was sound but he personally, on the basis of his dealings with Mobil South Africa, was surprised that the Church charges were directed at Mobil. Finally, he stated that these were matters of South African Government policy and if someone didn't like those policies they should be taken upon a government-to-government basis and not on an individual or private company level.

Thus, Mobil finds itself caught squarely between the differing policies of the United States and South African Governments relating to the U.N.'s Rhodesian

boycott in its effort to determine whether there is any truth in the United Church's charges. While Mobil's investigation has turned up not one shred of evidence supporting the charge that its South African affiliates secretly cooperated in setting up arrangements for the supply of petroleum products to Mobil Rhodesia and overwhelming evidence that its responsible South African management did not authorize, participate in, or become aware of such arrangements, it has not been possible to make any of the inquiries within Rhodesia or South Africa which would be necessary to determine whether the few key documents contained in the report which outline the supply schemes are authentic or very clever and sophisticated forgeries and, if authentic, whether they were ever sent or acted upon by employees at any level in Mobil's South African affiliates.

This is a question which we are convinced can only be resolved on a government-to-government basis. Only if the United States Government will secure the cooperation of the South African Government can this aspect of the investigation be completed. Meanwhile, it should be emphasized that we *are* certain that U.S. law has at all times been complied with by Mobil, its officers and employees.

We at Mobil have exhausted every investigative avenue we are aware of which is open to us. We have asked Reverend Larold K. Shulz for his cooperation, the disclosure of the complete set of documents to which he has publicly referred, and the opportunity to interview his sources. As of the date of the printing of this statement, however, he had not supplied us with the requested documents, and he has told us he did not know the individual who supplied them. I also spent the morning of the Saturday before Labor Day trying to reach the purported authors and addressees of the two key documents contained in the report for which such information is given. These are documents two and sixteen. I was successful in reaching R. H. Maskew at his home in Capetown. He is a retired employee of Mobil South Africa and is the listed addressee of a document supposedly written in 1968 by one Richard van Niekerk, then a lower-level employee of Mobil Rhodesia. The document outlines in detail the alleged scheme for indirect secret supplies. Mr. Maskew declined because of the Official Secrets Act to enter into any detailed discussion of the charge, but he did repeat emphatically several times that he would surely remember such a piece of paper, that he had never received such a document, and, finally, that he had no knowledge of it. I later reached Mr. Niekerk in Rhodesia and he declined to comment, citing the Rhodesian Official Secrets Act.

Mobil Oil Corporation has conducted an exhaustive investigation. It has also cooperated fully with the investigation conducted by the U.S. Treasury Department. A report detailing the results of Mobil's investigation, the legal opinions we have received, and all other pertinent matter is submitted as an attachment to this statement. We believe this report demonstrates beyond any doubt that Mobil Oil Corporation and its directors, officers and employees have complied fully and completely with both the letter and the spirit of the Rhodesian Sanctions Regulations, that there is overwhelming evidence that its policy of no supplies to Rhodesia by its South African affiliates, which goes beyond the requirements of the U.S. Treasury Regulations, was observed, and that there is no evidence of any kind to the contrary except for several of the purported Mobil documents contained in the United Church report for the validity of which the United Church carefully does not even vouch, and the exact source of which the Church has, so far, declined to disclose.

Because Mobil believes it is important for this Committee to be fully apprised of the scope of our investigation, the efforts made and the conclusions reached, I am requesting that our report be printed in full at this point in the record as part of this statement.

[1](Insert—Mobil Oil Corporation report on United Church of Christ charges pertaining to the Rhodesian sanctions regulations).

We believe we have done all that we can or that reasonably can be expected of us, both to discover the past and to provide for the future. Final resolution of this matter must come, if at all, on a government-to-government basis.

As I have said, the real issue here is the policy differences between the United States and South African Governments. So far, the South African Government has steadfastly refused to honor the Rhodesian boycott. The U.S. Government supports it. It is the hope of my company that this impasse will be resolved in

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[1] Attachments to the prepared statement are in the committee files.

the very near future through diplomatic efforts. Meanwhile, I repeat, we believe we have done all that we can to secure compliance with both the letter and the spirit of the Rhodesian Sanctions Regulations, and we have every reason to believe that such compliance has been the fact.

INCONSISTENCY OF TESTIMONY

Senator CLARK. One thing that fascinates and frustrates me a little about your testimony is, to put it in the bluntest terms, you are saying it is very difficult if not impossible for you to go back to your own subsidiary and really authenticate, find out information about your own subsidiary's activities with regard to these matters because of the Official Secrets Act, both in Rhodesia and South Africa.

Yet, time after time here today, you said you picked up the telephone and cleared up your man's and your subsidiary's situation there. You found they were not guilty. There is a perfect explanation for the Beck memorandum. You picked up the phone, you talked.

You said here that on the Saturday before Labor Day, I reached R. H. Maskew, a retired executive of Mobil South Africa, by phone. He is the listed addressee of one of the two documents which directly tie Mobil South Africa personnel into the supposed supply scheme. This was supposedly written in 1968 by Richard van Niekerk, an employee of Mobil Rhodesia.

The document outlines in detail the scheme for indirect secret supplies. Mr. Maskew declined because of the Official Secrets Act to discuss the matter of petroleum product supplies to Rhodesia, but he did repeat emphatically several times that he would surely remember such a piece of paper, that he had never received such a document and, finally, that he had no knowledge of it.

It doesn't seem to me we could have it both ways. We can't relieve Mobil of any alleged guilt because of the Official Secrets Act if we can't find out any. I found it a bit frustrating to say, on one hand, we certainly prove beyond question in the Beck memorandum and other things because we have talked to them, we have their testimony over the telephone, to you, that these are not what they seem to be.

However, on the other hand, any serious questions—and I am going to ask several serious questions here—can't be answered, I assume by simply saying we don't know. We can't find out, the Office Secrets Act. What is your response to that?

Mr. BIRRELL. First of all, I can understand why that is puzzling, Senator. Let me start out by explaining this document. The information regarding the supply of oil to Malawi did not come from Mr. Beck on the telephone yesterday. The only question I asked him was the meaning of the term, "security implications which might attach to Rhodesia."

He said—

That has nothing to do with petroleum products supply so I have no trouble in answering the question.

VIOLATION OF OFFICIAL SECRETS ACT

Senator CLARK. With Mr. Maskew when he tells you that he had no knowledge of this document, he never received such a document, he certainly would have remembered such a piece of paper, was he violating the Official Secrets Act in telling you that?

Mr. BIRRELL. My conversation with Mr. Maskew went like this: I said to him that I wanted to ask him about that document. I described it to him. I said,

> You may have a problem under South African law. What I would like to ask you to do is consult your counsel and then call me back and tell me what you can about that document. I gave him my telephone number.

He responded by saying—it so happens he is retired, retired since 1972. He has no connection with our company now. He said—

> It so happens that I have been working on a government project which has no connection with the petroleum industry, but it has provided me an occasion to familiarize myself with the Official Secrets Act.

He said—

> I cannot comment on the substance of the report, but I believe I can say—

what he then proceeded to say about the particular document. I will tell you frankly that this very same question has been a tremendous source of frustration to Mr. Fowler, here, who is the author of the report which is an attachment to this, to Mr. Klaerner, the president of the division, who went all the way to South Africa and ran into a stone wall.

What is repeated to us time and again is that the subject of the refining, storage, distribution, sale of petroleum products within South Africa is a subject which is covered by the Official Secrets Act and that they cannot comment on it in any way.

I think if you place yourself in the shoes of a South African, at this particular time, possibly it is a little easier to understand their sensitivity. They have a government which stands alone in the world and which appears to be determined to continue its present policy. Petroleum is one of the essential commodities to the continued functioning of the economy of South Africa.

I have told you what the Secretary of Commerce of the South African Government said to our representative. I can readily believe that as a South African, you would think a long time before taking the risk of 15 years in jail by responding to these questions.

Senator CLARK. I guess what I am really asking additionally is if you were able to establish your point to some degree with regard to the Maskew letter and with regard to the Beck memorandum, did you call up the others? How about Mr. Gubb, Mr. Bill Johnson, Mr. Nicol, Mr. Peter Faure, what do they say? Can't they give that same kind of basic information without violating the Official Secrets Act?

Mr. BIRRELL. Bear in mind that up until the end of August, we weren't really prepared to accept the notion that we weren't going to find out directly from our affiliate.

Senator CLARK. Yes.

Mr. BIRRELL. At that time, we decided that we would attempt to, by telephone, see what we could find out. It seemed to us that really there are only two documents in that package that directly tie Mobil South Africa into this plan, that is, two documents that passed between Mobil South Africa and Mobil Rhodesia, which seem to relate to this plan.

The rest of the documents are mostly internal documents in Rhodesia which don't, we feel, prove anything about the involvement of

Mobil South Africa. So I spent a good part of the Saturday before Labor Day and four other mornings trying to reach the four people, that is, the two authors and the two addressees of those two documents. Van Niekerk was the author of one, Maskew was the recipient of the other. Eventually, I got both of them. I reported what they said.

The other document written by a man named Gubb, he is the only one of the four who is still an employee of the company. I was unable to locate him. My information is that he has recently moved from Cape Town to Durban. He has no telephone.

Senator CLARK. I thought he worked for Mobil?

Mr. BIRRELL. He does, but under the circumstances, we know that our South African affiliate will ask us, particularly me, why I want to talk to him. The minute I tell them, they will not permit him to speak to me.

Senator CLARK. That is interesting. Even though it is a wholly owned subsidiary?

Mr. BIRRELL. That is right. Jackson, the recipient of the other document is no longer employed. I could not locate him in Rhodesia.

FOREIGN POLICY IMPLICATIONS

Senator CLARK. Let's get on with the questioning. Senator Pearson, you certainly may come in at any point you like. I have a few questions. I do want it understood at the outset that the issue before this committee is not the guilt or innocence of Mobil Oil, but rather the broader implications of American foreign policy. That is the name of this committee, the Foreign Relations Committee. We are not the Justice Department or the Treasury Department.

The case that has been put before us is a difficult one from the point of view of American foreign relations because, as you have testified, I think very clearly, the fact that an American company may have a wholly owned subsidiary in another country does not mean it has the slightest control over it.

That they may be operating totally—I say may be—totally to the disinterest of the United States, they may be under instructions even, as you indicate your subsidiary was, not to violate the spirit of the sanctions of the United States and they can do pretty much as they please consistent with the laws under which they operate.

I think that is the real problem for us, what do we do as a government, if anything, to be reasonably assured that American stockholders and investors and American companies do not operate totally or largely to the disinterest of this country. I don't know what we can do about that.

Obviously, we have the power to discontinue tax credits to American companies. We have certain other powers. Whether that makes sense or not is a lot of what we're trying to determine with this hearing. You have pointed out quite clearly you really can't even talk to the employees of your own wholly owned subsidiary.

I think what this committee ought to be most concerned about is the foreign policy implications. In Angola, we found while we were giving covert funds to two groups up to Lunda and Uige, in Angola, that

Gulf Oil was supplying royalties to the Bank of Angola that far exceeded that.

I don't know whether Gulf or the United States was right. I am not judging whether the oil company was right or the Government, at the moment, but it is a great dilemma.

What do we do as a Congress and as a country to be assured that our own investors, that our own multinational corporations are pursuing the spirit of our own foreign policy. I don't know.

Do you want to comment?

Mr. BIRRELL. I would like to, Senator. I have tried to say and perhaps have not said it very clearly, that one of the advantages of American ownership of Mobil South Africa is that we have asked our South African affiliate to follow a policy of not supplying petroleum products to Rhodesia.

Senator CLARK. Yes.

Mr. BIRRELL. Notwithstanding the Church of Christ report, we believe that policy has, in fact, been followed. Therefore, to the extent we are permitted by South African law to follow the wishes of the parent company, that subsidiary does carry out our wishes and acts in a manner which is consistent with U.S. policy.

Let me point out another respect in South Africa also, in which that has been very important. Some years ago our attention was drawn to the need to take some dramatic steps to upgrade the plight of the nonwhite employees of our South African company. This we found was permitted by South African law, upgrading them in terms of providing them with the job training that was necessary to give them better jobs, substantially increasing their pay scales.

It is kind of interesting that we have not only not run into opposition from the South African Government, we have actually been encouraged in these efforts that we have made, particularly in the last 5 years, to do that.

MOBIL PROGRESSIVE COMPANY IN SOUTH AFRICA

Senator CLARK. Let me say one of the notes that I have here was very much to that effect. I want to come to that before the hearing is over. We are very much aware that Mobil is considered by many impartial observers as one of the most progressive companies in South Africa.

Mobil was one of the first companies to institute a minimum wage above the minimum effective level, I think 50 percent above the poverty datum level. The company has also made major progress in training Africans and coloreds to replace white people in delivery and sales.

It is one of the few companies that is engaged in a long-term manpower plan and also one of the few who have blacks and whites working at the same job levels, receiving the same pay. We do want to compliment you on that.

PARENT COMPANY ALTERNATIVES

Suppose, for the moment, that you determined in viewing these documents that they were correct? From your point of view, what could you have done about it?

What are your alternatives as a parent company?

You don't have any that I know. What are your alternatives if they are not in violation of South African law or American law?

Mr. BIRRELL. I think you are right, we have very few alternatives. All we can do is to push our affiliate to the point where—push is the wrong word—encourage our affiliate to follow a policy which we think is right, up ot the point where South African law affirmatively gets in the way of that policy. At that point, there is nothing, there is nothing we can do.

Senator PEARSON. Can you discharge them for violation of company policy?

Mr. BIRRELL. We could discharge them. If we remove the board of directors of Mobil South Africa and put in a new board of directors, let's say they are all American citizens, they would be faced with the exact same legal problem the day they started to work.

Senator CLARK. In that regard, you could put a U.S. board of directors in charge there and presumably institute your own policy as long as this didn't contradict South African law.

Mr. BIRRELL. If they go to South Africa as officers of Mobil South Africa and undertake the management of that company, they will have to comply with South African law.

Senator CLARK. But they could be following your policies.

Mr. BIRRELL. Yes. I would say to you, Senator, that we have no reason to think that they would be any more inclined to follow our policy than William Beck will.

RHODESIAN OIL PRODUCTS

Senator PEARSON. Rhodesia doesn't have any oil products, does it?

Mr. BIRRELL. It does not, Senator.

SOUTH AFRICAN OIL PRODUCTS

Senator PEARSON. South Africa does not?

Mr. BIRRELL. It has none. It has large coal reserves and a Government-owned company called Sasol operates a plant which produces about 4,500 barrels a day of a low-grade gasoline from coal.

RHODESIAN PETROLEUM REQUIREMENTS

Senator PEARSON. Can you estimate what the petroleum requirements of Rhodesia might be?

Mr. BIRRELL. We have said in our statement that we estimate them to be about 10,000 barrels a day.

RHODESIAN OIL SUPPLIES

Senator PEARSON. Where do they get that oil? This memorandum is June of 1974. Could they have been getting petroleum through Mozambique in June of 1974?

Mr. BIRRELL. Yes, Mozambique achieved independence in the middle of last year and it didn't close its border with Rhodesia until March of this year.

Senator PEARSON. Where do you think Rhodesia is getting its oil today?

Mr. BIRRELL. Logistically, it has to be coming through South Africa.

Senator PEARSON. By what means?

Mr. BIRRELL. There is a railroad line that runs up through Transvaal directly into Rhodesia.

Senator PEARSON. Could the Government of South Africa be supplying oil to Rhodesia today?

Mr. BIRRELL. I don't know. All I know is it is their policy to prevent any impediment to trade between South Africa and Rhodesia and they have available to them the sources to meet Rhodesia's requirements.

OIL COMPANY SUBSIDIARIES IN SOUTH AFRICA

Senator PEARSON. How many other oil companies have subsidiaries in South Africa, such as Mobil?

Mr. BIRRELL. Caltex, jointly owned by Standard Oil of California and Texaco Company, British Petroleum, Shell Oil, those three companies plus Mobil are about the same size. In addition, there is a small operation which is a subsidiary of Esso, another small operation called Sonap, which is a subsidiary of a Portuguese company. Another company is CPF which is a French-owned company, but it has, I believe, a small local interest in it. Finally, there is a company called Trek, T-r-e-k, partly owned by Shell and BP, but largely owned by the public in South Africa.

RHODESIAN OIL SOURCES

Senator PEARSON. Rhodesian oil has to come from these sources you have named or could there be others?

Mr. BIRRELL. Not that I am aware of, Senator.

Senator PEARSON. It has to come from these sources. There is no inhibition for the South African Government to buy petroleum products or oil and then to ship it anyplace they want to?

Mr. BIRRELL. That is correct.

Senator PEARSON. Could one assume that that would be where Rhodesia would be getting their oil?

Mr. BIRRELL. I will say to you that that is what our executives assumed over the years. You see, in respect to this matter, it was so clear to them that there was another easy way for Rhodesia to get their oil that they didn't think our affiliate in South Africa would ever be presented with a problem.

Senator PEARSON. What is that easy way?

Mr. BIRRELL. As I say, demand is about 10,000 barrels a day. There is a refinery called Natref which is just south of Johannesburg with a capacity of 72,000 barrels a day. The product can move by rail.

Senator PEARSON. Who owns that?

Mr. BIRRELL. It is owned slightly over 50 percent by Sasol which is 100 percent owned by the South African Government; another 30 percent is owned, I believe, by CFP, and the Iranian National Oil Company owns the balance of it.

Incidentally, crude oil for South African comes primarily from Iran. That is a possible source. Then, of course, there is the Sasol oil-from-coal plant. Then it is physically possible for petroleum products to be

imported from sources outside South Africa and moved by rail to Rhodesia.

Senator PEARSON. It would all be by surface transportation?

Mr. BIRRELL. Yes, sir. You may be aware that the railroads in South Africa and all the railroad cars are owned by the South African Government. So the oil companies have no control and no real way to keep track of what is going on in that regard.

Senator PEARSON. Thank you.

DOCUMENTS AUTHENTICITY VERIFICATION

Senator CLARK. Mr. Birrell, you do verify the authenticity of the memorandum, the Beck memorandum, as I recalled your testimony.

Mr. BIRRELL. This is the memorandum of June 25, 1974?

Senator CLARK. Yes.

Mr. BIRRELL. Yes, sir. I might say that is not a piece of private correspondence.

Senator CLARK. How do you determine that? It doesn't have the company's name on it anyplace.

Mr. BIRRELL. But it does not have any stamp which indicates it is personal correspondence or confidential.

Senator CLARK. Post Office Box 35, W. F. De La Beck. I would think it would be a personal memorandum if I were to look at it quickly. Your Mobil memoranda and paper wouldn't have any other——

Mr. BIRRELL. Internal memoranda, no. I believe Post Office Box 35 is the box for Mobil South Africa.

Senator CLARK. So you do feel at least that this document that has been turned over to you by Reverend Schulz is an authentic one?

Mr. BIRRELL. Yes, sir.

Senator CLARK. But you question the authenticity of most of the other documents? What is your position with regard to those?

Mr. BIRRELL. It is difficult to generalize.

Senator CLARK. Maybe you could specify.

Mr. BIRRELL. The picture on the front of the report is a picture of our installation in Durban, although it doesn't happen to be a picture of the refinery. It is a picture of one of the installations which is near the refinery. The distillation columns in the background are the lube oil refinery. The pictures on the next page appear to be pictures of our office, and possibly of our tankage near the Durban refinery.

Senator CLARK. I am not as interested in the pictures as the documents.

Mr. BIRRELL. I must say of document No. 1 we have absolutely no way of knowing whether that is an authentic document or not. If it is authentic, it came from the files of Mobil Rhodesia.

Senator CLARK. There would be some ways, wouldn't there, to come to some conclusions about that. Before I entered this business, I was in history. They can go back archeologically 3,000 years and verify the authenticity of things.

Is this document, for example, exactly the kind of stationery that you have in Rhodesia?

Mr. BIRRELL. That is Genta stationery. I would venture to say that no Mobil employee in New York has ever been that before.

Senator CLARK. You have no way of verifying that?

Mr. BIRRELL. No.

Senator CLARK. You would have an interest in doing that?

Mr. BIRRELL. Certainly.

Senator CLARK. That wouldn't be a violation of the Official Secrets Act to call and say send us your stationery?

Mr. BIRRELL. That is a possibility, Senator. You notice the document is stamped secret. I presume that is the Rhodesian Government that did that.

Senator CLARK. As we look at these various documents, do they appear to be authentic to Mobil examiners? I am sure you have compared the ones with South African subsidiaries with your stationery, with your format. There are so many ways it seems to me of checking signatures and format, all the things that one could look at to try to determine that. I am sure you have been interested enough to pursue that.

Mr. BIRRELL. I certainly have.

Senator CLARK. What do you find?

Mr. BIRRELL. There is no doubt that whoever wrote these documents, if they are not authentic, was thoroughly familiar with our business, with our personnel, had access to our stationery and so on.

Senator CLARK. It does appear to be the proper letterhead. I am looking, for example, at random document 15. Here is a letter that says, "Letter from Chairman Warner of Mobil Oil Corp., to"——

Mr. BIRRELL. That is an authentic document, Senator.

Senator CLARK. We know that. Let's look at document No. 13. It talks about New York profits and so forth. Is that authentic?

Mr. BIRRELL. Documents 13 and 14 are forms which we know are used within our South African affiliate. They are not documents which would come to New York. Whether these documents are authentic or not, we just don't know.

Senator CLARK. There is one way of telling pretty easily and quickly, and that is the profits. You would know that back in New York.

Mr. BIRRELL. I am not an accountant, but by the time those figures go through all of the adjustments that are made, I am not sure that you could necessarily relate them; but the point about these documents, they may well be authentic, but they don't prove a thing.

Senator CLARK. I am interested in the authenticity of them, principally, for the moment. Whether they prove anything or not is a separate question.

In all of your examination of these documents, have you been able to find anything unauthentic about them? You had certain dates, for example, that really couldn't match what could have happened. There are a hundred ways of authenticating documents.

In your own experience, can you find some examples of things that just don't jibe, that just don't make sense, that just would really show that in fact certain documents couldn't be authentic?

Mr. BIRRELL. Let me mention a couple of things to you. As I have said before, it seems to us that the two key documents are document 16 and document 2.

Senator CLARK. Let's turn to document 16.

Mr. BIRRELL. The reason I say we believe those are key documents is they are either written by, or to, supposedly an employee of Mobil South Africa. It suggests that they were involved in these schemes.

Senator CLARK. In other words, if this document were authentic, you would be very concerned?

Mr. BIRRELL. That is correct.

Senator CLARK. It would really raise some questions about your present position that your subsidiary really has followed your advice and policy?

Mr. BIRRELL. Authentic in the sense that it was really written in the normal course of business, received by the man to whom it was addressed, and acted upon by him.

Senator CLARK. If it is what it seems to be, you would be concerned and question yourself whether your subsidiary was really following the policy you set down?

Mr. BIRRELL. Absolutely.

Senator CLARK. You have a comment about it?

Mr. BIRRELL. As I have said before, Mr. Maskew has denied ever seeing this document, ever receiving it or ever knowing anything about it. The second interesting thing about that document is what Mr. Maskew's job was, Mr. Maskew came up as an engineer, was employed by the company for almost 40 years before he retired. Eventually, he came to be the operations manager of the company.

The operations manager of the company is the man who is responsible ultimately for seeing that the product that is needed at point A is moved there from point B. He has nothing to do with sales, accounting, or the paperwork that is involved with arranging sales. It is very odd that this document which deals really with paperwork and sales arrangements for all these products should have been addressed to Mr. Maskew.

Beyond that, I would have to say to you that there is very little else in that particular document that I can point to which would clearly indicate that it is not what it appears to be.

Senator CLARK. When you called Mr. van Niekerk who supposedly wrote this, he wouldn't comment on it to you because of the Official Secrets Act?

Mr. BIRRELL. That is correct. I asked him specifically did he mean to imply anything one way or the other. He said absolutely not.

Senator CLARK. It seems to me one could look pretty carefully at these figures and get an idea whether they came out correctly with prices of jet fuel on that date or just below that, here is a telex that came from Cape Town on the 12th of August 1968, with the figures 09309–09951, for van Niekerk, August charge outs, and so forth. All of those are very specific and very technical.

You may be forbidden by the Official Secrets Act to find out whether those figures exist, but I wouldn't think so, would you?

Mr. BIRRELL. No. Bear in mind all of those papers are in either Rhodesia or South Africa, so we can't look at them.

Senator CLARK. Do you think you couldn't make a phone call on those and say what are those invoices and so forth, what is this all about? You think you couldn't do that?

Mr. BIRRELL. We have been told we could not. You see we have nothing internal.

Senator CLARK. You see nothing internal about this document, I agree with you. It is a key document. As you say, if this were true, it would really reveal a pretty interesting relationship between Mobil Rhodesia and Mobil South Africa.

There is nothing internal in this document that doesn't make sense to you, though, other than who it is sent to? Is that your feeling about it? You don't quite understand why it would be sent to him, other than that, everything in here makes sense, doesn't it?

Mr. BIRRELL. No; I don't think there is anything that it is in the document that is totally unrelated to the oil business. As I said earlier, it is very clear that if these are forgeries, they have been done by somebody who knew our business, had access to information about the business, and was extremely knowledgeable.

Senator CLARK. These people that are mentioned in the letter all worked for Mobil, didn't they, Messrs. Gubb, Johnson, Klaerner, Peter Faure, others?

Mr. BIRRELL. The ones who are referred to as working for Mobil, yes, there are people by that name we know who are employed by the company.

MOTIVATION FOR FRAUDULENT DOCUMENTS

Senator CLARK. Can you think of any motivation anybody would have for creating these kinds of documents fraudulently, going to all the work of getting stationery and finding all of these serial numbers, and so forth? Can you imagine a motivation for that? I am just trying to make sense out of it.

Mr. BIRRELL. Yes, I can imagine a motivation for that, to produce this hearing today.

Senator CLARK. Would you expand on that?

Mr. BIRRELL. An attempt to attract and create public opposition to both the oil industry and the government of Rhodesia and possibly even the government of South Africa.

Senator CLARK. We are going to take a 5-minute break.

[A recess was taken.]

Senator CLARK. Let us continue.

REMEMBRANCE OF DOCUMENTS AFTER 8 YEARS

I was just trying to leave the subject of the authenticity of these documents. I did want to comment in passing that the major—I don't know the word, reputation about the document 16. But the telephone conversation with Mr. Maskew about not having remembered receiving this wouldn't be surprising to me, at least in my business.

I see it was 8 years ago, it was dated 8 years ago. At any rate, I wouldn't remember a letter I received 8 years ago, unless it was of very, very vast significance. It seems to me if one were to presume for the moment that this was going on, in other words, that it was authentic, that it did occur, I can't imagine why he would remember it. Maybe he doesn't receive such mail; but I would think he would not remember it. I certainly would not remember it, if I were he. In all honesty, I wouldn't remember it.

Mr. BIRRELL. I understand what you are saying. I guess from our viewpoint, such a point had been made of this policy and we had such firm assurances that it was being observed, that a letter of this kind, which would suggest an open violation of that policy, is something that a director of one of our affiliates, I think, would be likely to remember, even after 8 years, Senator. I think he would remember certainly if he were not doing it, that this never could have occurred.

If everything in this document or most everything is seriously wrong, then, of course, he would say, "I don't have to remember it, I know I never had anything like that. It is not a question of remembering it, it is a question of nothing like that ever having passed over my desk." I think you would remember the principle. Whether you would remember the letter itself or not, I don't know.

Senator CLARK. In any case, if I were creating these things out of whole cloth, I could do better, I think. I wouldn't have dated them 1968. I wouldn't go that far, I would get a lot more convincing evidence at every point, some specific statements, not just implications, not just what seems to be. In one simple sentence, you are creating these, you could see, we don't want anybody to find this out, but we are running this secret conspiracy very directly. You and I both know we are in violation of our parent company's intentions. It seems to me there are an awful lot of direct things that one could say to leave no doubt.

Mr. BIRRELL. One thing about the document apropros of that is if you are running a secret system that is as complicated as this one supposedly was, it seems a little odd that you would ever sit down and spell it all out on a piece of paper and lay it on the record.

Senator CLARK. That is what I am saying, I don't think it really has been all spelled out. As you have indicated, in many places it is not very clear. Even the Beck memorandum could be one thing, it could be another. It seems to me if I were creating a document, I would make it awfully clear. Many of these documents seem awfully unclear to me as to what their meanings are.

INCONSISTENCIES IN REPORT

Mr. BIRRELL. You asked in terms of inconsistencies.

Senator CLARK. Yes.

Mr. BIRRELL. Let me point out one other kind of interesting thing in the report, Senator, there is a picture of a Mobil tanker said to be unloading fuel at Lourenco Marques in Mozambique in the fall of 1974. It is quite possible that that is exactly what it is. It happens that the northern part of the Transvaal in South Africa is supplied by rail through Lourenco Marques. That doesn't establish anything about supplies to Rhodesia.

What is really interesting about that is to now look at Document No. 18, You will notice that there is the statement that they couldn't use the east coast route for supply to Rhodesia because Mobil in Lourenco Marques and in Beira would have nothing to do with the arrangement.

Senator CLARK. Do you want to spell that out, what that means?

Mr. BIRRELL. Simply that it is inconsistent for them to say that the picture demonstrates that we are supplying fuel to Rhodesia through

Lourenco Marques and then to provide a document which says that Mobil at Lourenco Marques refused to have anything to do with the scheme.

Senator CLARK. But other than the relationship of the pictures in this book, I gather you have testified that you see no other inconsistencies in terms of the documentation themselves, the numbers they provide, the forms of the stationery, the invoices, the stationery itself, nothing else that we ought to have for the record?

DOCUMENT NO. 2

Mr. BIRRELL. There is one other thing I might mention. That is, in the other key Document, No. 2, where it discusses the supply of hexane to Mobil Rhodesia. There is a reference to the fact that in 1974, they have cover for 4,000-metric tons from a U.S. gulf source. In our company's system that means they are buying from Mobil Oil Corporation, at a U.S. gulf source.

We have records covering our exports to South Africa. There was no hexane moved from the U.S. gulf to South Africa in 1974 or 1973 or so far as I know, in 1975.

Senator CLARK. I know nothing about the oil business, but I assume when they say, "We have got cover for 4,000," does that necessarily mean that they are going to take that oil or do they simply have the option to take it?

Mr. BIRRELL. It means that is where they expect to get their supply. It doesn't necessarily mean they are committed to purchase it.

Senator CLARK. They could?

Mr. BIRRELL. Yes.

POLICY OBSERVATION EVIDENCE

Senator CLARK. In your testimony, you state that so far as you are concerned, there is overwhelming evidence that Mobil's policy, and by that I mean South African Mobil, was not to supply Rhodesia.

As succinctly as possible, can you give us that overwhelming evidence?

Mr. BIRRELL. It consists of these items, periodic assurances from Mobil South Africa that the policy was being observed.

Senator CLARK. Written or oral?

Mr. BIRRELL. Some written, some oral.

Senator CLARK. Could you provide some of the written assurances from them for the record at this point?

Mr. BIRRELL. We would be glad to.

[As of the date of publication, the information referred to had not been supplied.]

Mr. BIRRELL. Second, we received various kinds of information from our South African affiliate, financial information, for example. That financial information has some breakdowns in it, which are indicative of what trade, if any, there is between Mobil South Africa and Rhodesia. There has been no indication in any of that material that there was any trade in petroleum products between Mobil South Africa and Mobil Rhodesia.

Senator CLARK. Of course, on that issue, I don't think the United Church of Christ claims there is any direct sale. They claim there were paper companies created through which, at least as I understand through the charge, they have never charged there has been a direct sale to Rhodesia, have they?

Mr. BIRRELL. I am not sure whether they have or not.

Senator CLARK. To my knowledge, there hasn't. We could recall the witness later and ask that question; but continue.

In other words, there is nothing in the financial records that indicate any direct sale to Rhodesia?

Mr. BIRRELL. That is correct. As I have said, there was an apparent other source of supply for petroleum for Rhodesia throughout this period. Bear in mind that the total consumption in South Africa is about 250,000 barrels a day. Rhodesia's demand of 10,000 barrels a day just gets totally lost in that figure.

Senator CLARK. I remember you saying that before.

Mr. BIRRELL. Incidentally, I was interested in Reverend Schulz's comments about the Treasury because his experience with the Treasury has been very different from ours. They have been pursuing us with a degree of diligence which I am sure anybody on the Government side of this would find highly commendable.

Among other things, they have interviewed a number of Mobil executives, those who have been responsible for Mobil South Africa and found no indication, no clue that any of this could ever have been going on. They have been examining all sorts of documentary records, correspondence, and have turned up, literally, not one scrap of evidence that supports the notion that Mobil South Africa was secretly arranging supplies for Rhodesia.

Senator CLARK. I have to go vote in about 5 minutes. Let me just say, although I share your view that such an assertion rests with those who make it, not that I am not sure that I would agree with you that there is overwhelming evidence on the other side of it, simply because they have asserted it orally and in writing that they did not do this.

Your second point that there are no financial records that indicate direct sales, I think the testimony is fairly clear that there has never been an assertion of direct sales and, third, that simply because there was access to this oil in other places, that Mobil might not have been willing to provide it. There may have been local, proper motives involved there, and so forth.

In any case, I have about six or seven more questions. If you can stay, I am going to go over and vote. I will be back in about 7 or 8 minutes. We will recess.

Thank you.

[A recess was taken.]

Senator CLARK. There were a couple of points that I wanted to clear for the record. I was going to ask if the documents presented by the United Church were valid, does the company think they would be sufficient to prove that Mobil South Africa was involved in a paper chase selling oil in Rhodesia? I think you qualified that when we were talking about document 16 by saying that if indeed that were valid

and accurate, that you at least would be very concerned and serious questions would be raised in that document if you accepted its authenticity as to whether there was some kind of an arrangement between the two.

PREVENTING SOUTH AFRICAN MOBIL SALES TO RHODESIA

The other question I wanted to raise is if the company were involved in such sales, is there anything the company thinks they can do to prevent this from taking place?

As you indicated to Senator Pearson and to me earlier, you can establish policies, but you can't necessarily be assured that the policies you are establishing would be followed, even if Americans would be sent there, although in that case Americans would be subject to U.S. laws insofar as they were American citizens and fall under U.S. laws.

Mr. BIRRELL. Under these circumstances, we might well find ourselves back in the position of the employees of the mining company that I discussed earlier, where they face a situation where they could not comply with both laws.

Senator CLARK. The question raised earlier about direct sales, as I have said, it seems to me the allegation is that the sales went through—what is the South African Government, Sasol?

Mr. BIRRELL. Sasol.

MOTIVATION FOR SOUTH AFRICAN MOBIL SALES TO RHODESIA

Senator CLARK. Before going into that question, just in terms of the dimension of South Africa's Mobil sales, what would be Mobil's interest in making sales to Rhodesia? What would be their possible motivation in making sales to Rhodesia?

I think Reverend Schulz estimates the company could have made $20 million in sales in a year. Would that have been a significant increase in your business in South Africa had that occurred?

Mr. BIRRELL. It would not.

Senator CLARK. Can you substantiate that to some degree?

Mr. BIRRELL. Gross sales are in excess of $500 million.

Senator CLARK. South Africa Mobil?

Mr. BIRRELL. Yes.

Senator CLARK. That would be 5 percent?

Mr. BIRRELL. Not even 5 percent.

Senator CLARK. No, it wouldn't. It would be 1 percent, I guess.

SASOL SALE RECORDS

Has the company looked into the records to see if sales to Sasol did go up in 1965–66? That won't necessarily prove anything, but it would give us an indication. It seems to me if sales went down to Sasol in this period after UDI, that it is unlikely or at least somewhat less likely that you are passing on sales to Rhodesia.

What do the records show on that, your financial records in New York?

Mr. BIRRELL. Our financial records in New York and the regular information that comes from our affiliates does not indicate what is

being sold to particular customers. So we don't have that information in New York and would never have it, except under some special circumstances.

What we have done is to look at the total sales of Mobil South Africa in years 1965, 1966, 1967, 1968. This is included in a record, incidentally, for which we have dollar figures, not volume figures. We have dollar figures for the gross sales which come through the regular reporting system in Rhodesia. There is no correlation between those two.

Senator CLARK. I don't understand that. Why would you have the dollar sales to Rhodesia?

Mr. BIRRELL. The dollar sales, not to Rhodesia, but dollar sales by the Rhodesian affiliate. The financial information relating to the operations of the Rhodesian affiliate comes back to us regularly through South Africa.

Senator CLARK. What do those show, did you say?

Mr. BIRRELL. The basis we have for estimating their sales is only those dollar figures and making some assumptions about how much a barrel they realize. We have those figures through the years. Then we have the figures of Mobil South Africa through the years.

Senator CLARK. Just the gross figure on how much they sold, no breakdown on where it went?

Mr. BIRRELL. That is right, but they are comparable figures. All I can say is examining those figures and the increases from year to year doesn't tell us anything about whether Rhodesia may have been supplied by Mobil South Africa.

Senator CLARK. Yes, you really couldn't determine anything one way or another on that.

Mr. BIRRELL. That is correct.

SALES BETWEEN MOBIL SOUTH AFRICA AND MOBIL RHODESIA

Senator CLARK. I have understood you to say earlier that your financial records in New York indicated that there were no sales between Mobil South Africa and Mobil Rhodesia. You wouldn't have that information, would you?

Mr. BIRRELL. That is correct. The sales figures I am talking about are sales to third parties.

Senator CLARK. I see, but you would have such records if there were direct sales from Mobil South Africa to Mobil Rhodesia?

Mr. BIRRELL. Yes. In order to make our accounts acceptable for accounting purposes, we have to eliminate intercompany sales. In order to do that, our accountants in New York, when they consolidate have to know what those transactions are.

Therefore, the financial records contain a separate schedule which identifies those intercompany sales. None have been shown since 1965 between Mobil South Africa and Mobil Rhodesia.

MOBIL SOUTH AFRICA SALES POLICIES

Senator CLARK. I am somewhat confused by the discussion, both in your testimony and the report, concerning whether the company could in fact refuse to do business with someone who intended to sell oil to Rhodesia. In other words, I am trying to get at the question

whether Mobil South Africa really could refuse to sell to a party who in turn would sell to Rhodesia.

When you first asked Mobil South Africa not to sell to Rhodesia in 1966, Mr. Beck replied that the South African Government would allow the subsidiary to refrain from selling either to Rhodesia directly or to those who might sell to Rhodesia, but asked that the decision not be announced publicly.

Later, from Mr. Fowler's report, I get the impression that there is a Government policy which could be backed up legally that would require the company to sell to anyone whether or not he intended to resell to Rhodesia. Is this a policy? Is it a law?

As I understand it, Mobil South Africa could refuse to sell to someone, even to Sasol, if it felt that Sasol was going to forward the oil to Rhodesia. That is my understanding; but the South African Government could then step in and tell Mobil it should sell to Sasol and the ministry could tell them to do it. If they refused, they would be in violation of the law. Is that correct? Can you straighten me out on that?

Mr. BIRRELL. Yes. We have had a little difficulty in getting to the bottom line on this. You recall that earlier I mentioned to you that there was one supporting piece to the opinion which our lawyer in South Africa declined, on grounds of the Official Secrets Act, to disclose to us. We believe it has to do with this point.

If you look at the report, which appears under the "Report" tab, you will see a discussion of the——

Senator CLARK. Which part of the page?

Mr. BIRRELL. It starts, "This opinion," second paragraph. You will see that ever since—actually it goes back to World War II, the Government has firmly opposed conditional selling. They have had on their books various pieces of legislation which enable a competent Government minister, by sending a directive to a company, to forbid them to engage in conditional selling.

We can only assume from the opinion we have received that such a directive has been given. Our lawyer has declined specifically to say one way or another whether that is true.

Senator CLARK. At the top of that page, I see,

> Mr. Friedman's opinion then says that a breach by Mobil South Africa of those restrictions would have the most serious legal and other consequences for that affiliate.

I wonder what they would be.

Mr. BIRRELL. I believe what Mr. Friedman is saying is there are various Government controls in South Africa which can be applied in a way to penalize a particular company or business if it didn't comply with South African law.

Senator CLARK. So it is your feeling, without being certain, that your subsidiary, Mobil South Africa, could not refuse to sell to another company, even if they knew they were going to sell to Rhodesia, or am I overstating your position that legally they are required?

Mr. BIRRELL. I have to say to you, Senator, that this is one thing that we have not been able clearly to pin down. What we believe happened is that when we originally requested this policy of our

South African affiliate, our manager went to the Government and he said, this is what my parent company has asked me to do.

The cable that you referred to a few minutes ago in which he reported back on his conversation is, we believe, what they in fact said you can do and no more. In effect, that said to Bill Beck, you can refuse to sell directly to Rhodesia, but you have got to continue to supply your normal customers and you cannot extract from them a commitment that they will not resell those products to Rhodesia.

Senator CLARK. Wouldn't it be a fair assumption to think that he did just that?

Mr. BIRRELL. Yes, I believe so; no doubt.

Senator CLARK. And that he did indeed sell to third companies that did indeed sell to Rhodesia?

Mr. BIRRELL. Not necessarily. He sold to his normal customers. One large company is Sasol, and has been for years. We have no way of knowing what Sasol does with those products.

Senator CLARK. We have every reason to believe that Sasol sells to Rhodesia, do we not?

Mr. BIRRELL. That is one of the logical sources of supply for Rhodesia, but that doesn't necessarily mean that it is our product.

Senator CLARK. No. I guess, though, the real question involved here is not whether you may have sold to Sasol and they, in turn, may have sold to Rhodesia. As you say, that may or may not be the case.

THIRD-PARTY PAPER COMPANIES

Obviously, they sold it to Sasol. The question whether they sold it to Rhodesia is open and the question whether they resold Mobil products is open. The issue here, I gather in the United Church report, is whether in fact third-party paper companies were established for that purpose. That is the question before us, I guess, isn't it?

Mr. BIRRELL. I think the question is whether Mobil South Africa was party to such an arrangement, if it existed. You will notice that those paper companies, according to the charts in the report, start with Sasol and from them go through Genta, the Rhodesian Government agency.

It is conceivable to me that these paper companies all existed, but they were created by Sasol and somebody other than Mobil South Africa because the South African Government wasn't anxious to have its role in this matter spread on the public record.

PROSECUTION UNDER SOUTH AFRICAN LAW

Senator CLARK. But had your subsidiary not sold to Sasol, they may well have been subjected, in your judgment, under South African law, to prosecution?

Mr. BIRRELL. Yes, sir.

GOVERNMENT-TO-GOVERNMENT ACTION

Senator CLARK. You mentioned the real issue that needs to be resolved is on a government-to-government basis, in your testimony.

What sort of action might be possible in that respect? What would you suggest or what alternatives do you see on a government-to-government basis? We are speaking of the Official Secrets Act and how that stands in the way of getting at the facts?

Mr. BIRRELL. Obviously, the principal issue that needs to be resolved is what happens in Rhodesia, so the boycott can be withdrawn and normal trade relations established. Short of that, insofar as this particular investigation is concerned, the only thing, as I said earlier, that I can suggest is that our Government attempt to secure the cooperation through diplomatic channels of the South African Government in ascertaining precisely how petroleum is being supplied to Rhodesia.

MOBIL SOUTH AFRICAN EMPLOYEE ATTITUDE TOWARD RHODESIAN SANCTIONS

Senator CLARK. Is it possible, in your judgment, that your South African subsidiary employees, that is, the management in particular, might have very different attitudes, views, towards the Rhodesian sanctions and toward other matters than, in fact, the parent company has?

Mr. BIRRELL. I can certainly understand that their views would not coincide with the views of the people in this room; but I have to tell you, Senator, that I don't know of a single case where a policy that has been this formally adopted within our company has been disregarded by responsible management officials.

Senator CLARK. You think there is no evidence in the United Church report that would question seriously, as far as you are concerned, that those policies have been followed?

Mr. BIRRELL. That is right.

SEPARATE INCORPORATION FOR MOBIL NAMIBIA

Senator CLARK. I would like to ask you just a couple of questions about Namibia, which this committee is particularly interested in. What was the purpose of the separate incorporation for Mobil Namibia? Why is that separate?

Mr. BIRRELL. We have found in many of our operations in newly established countries that there are relations and advantages locally in operating through a locally incorporated company. That was the reason for forming a separate company there.

COMPANIES IN BOTSWANA, SWAZILAND

Senator CLARK. I assume you have separate companies if you operate in Botswana or Swaziland?

Mr. BIRRELL. Yes, in Botswana and in Swaziland. We do not yet have one in Mozambique.

NEW INVESTMENT IN NAMIBIA

Senator CLARK. Mobil says there has been no new investment in Namibia in the last couple of years. Do you know when the last investment or expansion was made there?

Mr. BIRRELL. I am sorry. I don't have that information.

Senator CLARK. Would you supply that for the record?

Mr. BIRRELL. Yes, sir.

[As of the date of publication, the information referred to had not been supplied.]

MOBIL/U.S. POLICY CONCERNING NAMIBIA INVESTMENT

Senator CLARK. What is the relationship of your policy to U.S. policy, in your view, in regard to that?

Mr. BIRRELL. Since 1970, I believe, when Ambassador Yost made his pronouncement that U.S.-owned companies have been requested not to make any new investments in Namibia, we have complied with that.

Senator CLARK. You have not had any new investment in Namibia since 1970.

Mr. BIRRELL. That is my understanding.

U.S. PROTECTION OF MOBIL OPERATIONS

Senator CLARK. What portion of its operations are protected by the United States, or do you have no protection at all?

Mr. BIRRELL. We have no protection. We have no nationalization insurance, bank guarantees of any kind. As I say, we have been in business in that area since 1920. It is a very small operation, as the report indicates, some 70 service stations, some inventory, some relay depots. It is not a very substantial business operation.

Senator CLARK. Thank you, very much.

If you would stay in case we have further questions, I would appreciate it.

Mr. BIRRELL. Thank you, very much.

DOCUMENTARY EVIDENCE OF ALLEGED CONSPIRACY

Senator CLARK. I would like to ask Reverend Schulz to return. I have two or three questions that I wanted to get your testimony on.

Mr. Birrell related that from his point of view, there were really only a couple of documents in your report of the oil conspiracy that really lend any great credence to the idea, if they indeed were authentic, that there was any conspiracy involved and that the others are more routine documents or at least the documents that do not prove or show that there was indeed a conspiracy.

Since I have not had the opportunity to read each document, I would like to get your own reaction to that, Do you feel there are other documents that we have not looked at here at this hearing that bear evidence on the alleged conspiracy?

Reverend SCHULZ. As I understood what Mr. Birrell was saying, I think he indicated two documents in particular related Mobil Oil to the alleged conspiracy. I think the documents as a whole, though, pull together information and background material on the way in which oil products do in fact get to Rhodesia.

GENTA ROLE

I think it should be said that generally speaking, the public has not been aware, for instance, of the existence of Genta. I think this document indicates just what role they play.

Senator CLARK. Can you describe that very briefly, what role you see them playing?

Reverend SCHULZ. I see Genta being sort of a puppeteer, operating the puppets in this whole operation, determining the needs of the various companies in Rhodesia and allocating those needs by fulfilling particular requests. As this document shows certain companies provide for aviation fuel, other companies provide for diesel fuel and so forth, and it points out the interrelationships and interlocking arrangements.

SOUTH AFRICAN MOBIL SALES TO RHODESIA

Senator CLARK. There was some question that arose as to whether you were alleging that South African Mobil was selling directly to Genta. I guess, or to Rhodesia. Is that in part or in some part your claim or is it that in fact South African Mobil was selling through third companies? Can you be more specific about that?

Reverend SCHULZ. Our position, at this point, is that the information we have would lead us to believe that all of the products go through third party companies. They do not necessarily all go through Genta, no, when they get to Rhodesia.

You will notice we state that nonfuel products may go directly to the retailer or—I call them retailers—the distribution point. The documentation we have wouldn't indicate that they go to Genta; but again, your question is whether they originated and go directly.

The documents we have indicate they all go through third party sources. Could I take one more step on that because I think it relates? That is, the discussion you had about Sasol's involvement.

First of all I need to say that Sasol's only coal-to-oil refinery is used primarily for producing heating products. It is not a highly refined product. It could not be used for aviation or automotive use. Therefore, Sasol may refine fuel oil; but it certainly requires a different type of refinery and a different process than its coal-to-oil refinery. It requires raw petroleum product to provide for those refined uses.

Then also, there is a chart. I think it was mentioned that Sasol was involved in all of these operations. Maybe that wasn't what was said. That is what I heard. Diagram 2 indicates a process whereby diesel fuel is sent to Rhodesia and does not go through Sasol.

DOCUMENTARY ANALYSIS

Senator CLARK. Who did the analysis in the book? Did you do that or the church?

Reverend SCHULZ. If you will, Senator, let me just comment about the documents. I think some things need to be said. You mentioned a little earlier that you come out of a history background. Part of my educational background was in seminary. My major was Bible.

As part of the work that I did, I learned how to do textual criticism and develop documentary evidence about texts. I have done that in

other capacities since then because I have worked very closely with public organizations that had to deal with some documentation. That is to say that when I received these documents, I looked at them very carefully in terms of some of the kinds of things you were raising earlier.

It is my impression, and it was indicated in my testimony, that this type of process really is somewhat beyond the ability of one individual or 10 individuals to fabricate. It would take an exceedingly long period of time. That is just one comment. It may be gratuitous; but there is another comment.

It is that I indicated to Mr. Birrell the other day that I did not know the source of the documents. That is true. I do not know the names of the persons. I have spoken to these persons and they have used code names; but I will say this: I do know the organization they come from. I have known of it for several years.

Senator CLARK. Can you say that?

Reverend SCHULZ. OKHELA, O-K-H-E-L-A. It is widely known in Europe. It is known by the United Nations. There is no question that representatives of the United Nations are quite familiar with this organization. It has worked with the World Council of Churches, with whom we have worked. It is made up of attorneys, educators, writers, all persons who are either in self-imposed or forced exile from South Africa.

The Washington Post this summer had an article about the organization which documented their existence.

Then I need to say, because some might say I am foolish and soft-headed, that when contact was made with me, names of persons who I do know who I strongly respect and know closely and have worked with for years were used as references. They just didn't come out of thin air. I know the background of how these documents were obtained in relation to that organization.

Senator CLARK. I am going to hurry just a little bit because I see another vote on. There are some other questions I wanted to ask.

POSSIBLE MOTIVATION FOR RHODESIAN SALES

Mr. Birrell made the point that $20 million is a very insignificant part of Mobil South Africa's business. I think the figures he gave indicate about 1 percent. What do you see as their motivation for wanting this business in Rhodesia, in view of the small amounts involved?

Reverend SCHULZ. Apparently, the public position of Mobil is that they didn't need it. That isn't the point, for us at least. I accept the word of Mobil when they have said that they didn't want this trade.

Our point is, Mr. Chairman, twofold. One, Rhodesia continues to receive oil. We believe it is the major reason why, as I say, the illegal regime of Ian Smith continues to exist in Rhodesia. We believe that the United States has a role in this by either allowing this trade to continue or to see to it, if the law does not provide for it at the present time, that the law is changed, or at least the administrative regulations are changed, to cover all trade with Rhodesia.

I believe that the U.S. embargo against Rhodesia was designed to be broken. I believe the U.S. Government covertly supports U.S. business in Rhodesia and this policy has allowed Mobil, Caltex and others

which we have named in our testimony to continue business with Rhodesia.

Senator CLARK. Have you anything else at all you would like to say?

Reverend SCHULZ. I am really sorry that we were under time pressure because in my testimony, I talk about tax credits to Namibia, I talk about our position on the homelands, all things I know are of interest to you.

Senator CLARK. They are in your statement?

Reverend SCHULZ. Yes: they are.

Senator CLARK. Good, they will be put in the record.

Reverend SCHULZ. I have one other comment, based on what I have heard here today; I think any U.S. company that wants to violate the United Nations resolution on sanctions, or U.S. law, has only to create a South African subsidiary and they can go ahead and do it.

Senator CLARK. Thank you, very much.

Mr. Birrell, have you anything you would like to add?

Mr. BIRRELL. No: thank you, very much.

Senator CLARK. Thanks to all of you.

I think the real issue here, if I can repeat it in 10 seconds, in my judgment is not the legal question. I certainly am not in a position to make that judgment and wouldn't attempt to and certainly will not.

I think the real question is whether in fact the intentions and policies of U.S. foreign policy are being followed or whether in fact American multinational companies really are in a position themselves, where they have relatively little policy control over their own subsidiaries.

It raises a great number of difficult questions, questions that we have looked at in a different subcommittee, the Multinational Subcommittee, which perhaps more appropriately than this subcommittee should be viewing that.

I think those are the questions we are interested in, whether we want to encourage investments, particularly in this case in South Africa; what kind of real policy control we have if we continue those investments or encourage them or discourage them. Those are really the issues we are going to be continuing to look at next Wednesday and Thursday and more particularly with certain labor policies and practices there.

We are pleased that all of you took as much time as you did in the effort to come down here. We have been meeting for about 4½ hours. We are deeply indebted to all of you for coming.

We stand in recess until Wednesday at 9:30 a.m.

[Whereupon, at 2 p.m., the subcommittee recessed, to reconvene at 9:30 a.m., on Wednesday, September 22, 1976.]

[The following letter was received subsequent to the hearing.]

OFFICE OF THE SECRETARY OF THE TREASURY,
Washington, D.C., October 21, 1976.

Hon. DICK CLARK,
Chairman, Subcommittee on African Affairs, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Your staff has asked for a status report on our investigation of allegations that the Mobil Oil Corporation, and certain of its officers and foreign subsidiaries, may have engaged in violations of the Treasury Department's Rhodesian Sanctions Regulations. The allegations were made by the Center for Social Action of the United Church of Christ (hereinafter "Center") in a report entitled "The Oil Conspiracy" released at a Washington press confer-

ence on June 21, 1976. The report was stated to be based on information and documents passed to the Center by a clandestine organization located in South Africa known as OKHELA.

In brief, the Center's report charged that Mobil's South African subsidiary, Mobil Oil South Africa (Pty) Ltd., and Mobil's Rhodesian subsidiary, Mobil Oil Rhodesia (Pvt) Ltd., had established an elaborate scheme to conceal the fact that the two firms were cooperating in arranging for petroleum products to reach Mobil Rhodesia from Mobil South Africa in violation of the Rhodesian embargo.

The Treasury Department's Rhodesian Sanctions Regulations would not necessarily be violated simply by an export from Mobil South Africa to Mobil Rhodesia. However, U.S. law would be violated if U.S. persons, for example officials of Mobil U.S., participated in the transaction or if U.S. products were involved.

The Center's report alleged that, since certain officers of the parent firm, Mobil Oil Corporation (U.S.), have also served on the Board of Directors of Mobil South Africa, it would follow that Mobil U.S. must have known of the sanctions-breaking activities of its South African and Rhodesian subsidiaries.

The Treasury Department's Office of Foreign Assets Control (FAC) immediately determined that a thorough investigation was called for. Accordingly, on June 30, 1976, FAC served an administrative order on Mobil U.S. directing the company to furnish specified documents from its records for examination by FAC, and requiring the company to obtain other documents from Mobil South Africa and Mobil Rhodesia.

Mobil began to supply the required documents to FAC. FAC periodically broadened the scope of the administrative order to require Mobil to produce additional material as new avenues of investigation were opened up.

In conducting its investigation, FAC has employed a number of approaches, including careful examination of the Center documents and documents supplied by Mobil, interviews with Mobil officers and employees, and contacts with third parties possibly having knowledge of the availability of petroleum products in Rhodesia. In addition, FAC is receiving the cooperation of the State Department and the U.S. Secret Service in carrying out various aspects of the investigation.

The documents and information obtained currently are being studied by FAC and the results of the investigation are being analyzed. Since the investigation is still in progress, it would be inappropriate to comment further in public at this time. We would be happy to furnish a summary of the results when the investigation is completed if you so desire.

Very truly yours,

STANLEY L. SOMMERFIELD,
Acting Director,
Office of Foreign Assets Control.

SOUTH AFRICA

U.S. Policy and the Role of U.S. Corporations

WEDNESDAY, SEPTEMBER 22, 1976

UNITED STATES SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to notice, in room 4221, Dirksen Senate Office Building, Hon. Dick Clark, chairman, presiding.

Present: Senators Sparkman and Clark.

Senator CLARK. The hearing will come to order.

Will the witnesses please come up to the front table?

OPENING STATEMENT

Today we meet for the fifth of eight hearings on the current situation in South Africa, United States policy, and the role of American business there.

Last week we began to examine the commercial side of the U.S. relationship with South Africa. We will continue that examination today and in the next two hearings.

Perhaps the most tangible and direct aspect of U.S. involvement in South Africa comes through its commercial relations with that country, particularly through the employment practices of American companies doing business there. The more than 300 U.S. companies active in South Africa employ some 90,000 workers, the majority of whom are black.

It is through these workers that American companies have first come in contact with the real frustrations and anger generated by South Africa's apartheid system. American companies have been affected, just as their South African counterparts, by the growing black resistance to continued discriminatory racial policies.

Black workers at a number of American companies have joined recent strikes in South Africa, and operations at U.S. companies are likely to suffer in the future from sporadic unrest in the urban and industrial areas of the country.

It is because of these workers, however, that most companies justify continuation of their operations in South Africa. By doing business in South Africa, they argue, they are providing jobs and wages for blacks that would be otherwise unemployed.

They are providing training and education opportunities that would be otherwise unavailable. And through their employment practices

and their working environment they are demonstrating to South Africa the possibilities of a less racialist society. That is generally speaking, it is hard to generalize the position of American companies doing business in South Africa.

Whether companies have, or could have, the effect that many say they do is the subject of some debate. It is the major issue addressed in today's hearings. Some critics of U.S. investment in South Africa are concerned that American companies are profiting from apartheid, earning unusually high profits through exploitative labor practices.

Other critics say that even if companies are well-meaning in their efforts to improve conditions for workers, South Africa's apartheid laws and customs make meaningful implementation of progressive labor practices impossible.

Others simply say that it helps to substantiate and support the apartheid system.

Most American companies active in South Africa state that they have adopted policies of equal employment opportunity. Many have taken steps in recent years towards providing greater opportunity for their black employees, but even the most active companies have not taken all the steps possible under the law.

Some offer equal pay for equal work in some positions, but not in others. A few have initiated programs similar to affirmative action programs in the United States, but most are cautious. They shy away from any discussion with the Government about specific aspects of its policies, and only a limited number have begun to recognize that in fact apartheid imposes real business costs on their operations, something we found in the earlier history of this country.

On balance, a cross section of the labor practices of American firms is likely to compare closely with a cross section of the practices followed by all companies of a comparable size, industry or geographic location.

Or to put it more directly, on the whole, as best we can now tell, it would seem that American companies are very much the same as any other companies doing business in South Africa when it comes to wages and employment practices.

I might just add that we are now in the process of finalizing a questionnaire, a very extensive questionnaire that this committee will send to every company doing business in South Africa and, although it will take us some time to get that information back and probably be published in a supplement to these hearings, we will have a much better idea at that time about the answers to questions I was trying to raise, namely, do American businesses and American business practices, labor practices, and so forth, really contribute to improving that society or do they indeed simply substantiate it?

There are indeed serious constraints that affect a company's efforts to provide greater opportunity to blacks. The greatest is probably the apartheid system itself which denies blacks the right to equal education and training. For example, the average per capita education expenditure for Africans was 40 rands in 1975.

For whites, it averaged above 400 rands. The student teacher ratio for blacks is 56–1, for whites it is 21–1. The results of such discrimination is evident to all of us. Only two-tenths of 1 percent of those Africans beginning primary school graduate.

The New York Times last Sunday reported a 1975 survey showing that South Africa had a total of 11 African engineers, 31 African chemists, 63 African lawyers. This is from a population of 18 million Africans.

That Sunday article by John F. Burns, called Economics of Racism in South Africa, will be inserted in the record at the end of my opening comments.

The situation in training is not much better. No artisan training is provided for blacks outside the homelands. Few, if any, unions accept blacks as apprentices. And indeed, there are no meaningful black unions.

In 1974, only 72 Africans qualified as artisans—all in the homelands. By comparison, there are 30,912 white artisans in the building trades alone.

In addition, there may be opposition from white unions or conservative white employees to discourage management from hiring or promoting blacks or there may be some legal or policy restrictions which management interprets as preventing it from hiring or promoting black workers.

Earlier testimony from Union Carbide indicated they felt if they moved very quickly, there would be strong white union opposition, particularly in putting people in higher skilled situations.

The separation of the races aggravates the situation by making communication between white manager and black worker difficult, sometimes impossible. The lack of communication has encouraged the development of stereotypes, making accurate perception of a worker's abilities difficult.

Managers often prefer to let things slide, rather than to challenge stereotypes.

For awhile, economic growth stimulated companies to challenge stereotypes and to look to the black population for new employees—there were no more whites. But growth has dropped precipitiously and it may be difficult to count on it as a major incentive to changed practices in the future.

The stimulus for improving opportunities for workers may have to come primarily from within the company, from a firm home office policy on employment and from a dedication of company time and money to implement that policy.

There are a number of things a company may be able to do in South Africa to improve conditions for employees. A company can rationalize the various aspects of its personnel program to include regular wage reviews, evaluations, recruitment, selection programs and training programs, equal fringe benefits, and adequate worker representation through unions or workers' committees.

The improvement of the labor practices of U.S. corporations in South Africa through a rationalized employment program will not affect greatly the course of that country's development or the structure of its racial policies.

But it will serve to improve living conditions for a limited number of workers. The limited nature of its contribution should not minimize its importance as we view it from this country.

We consider that, under the circumstances, U.S. companies have a moral obligation to do everything they can under the law to institute

progressive practices. We hope to gain today a better idea of what is possible under the law and what might be the role of the U.S. Government in trying to influence companies to adopt improved practices.

We are pleased to welcome as a witness today, Mr. Jerry Funk of the African-American Labor Center, an AFL–CIO affiliate established in 1964 to administer programs in Africa.

Mr. Funk is deputy executive director of the center and a former member of a number of unions, including AFSCME [American Federation of State, County and Municipal Employees], the Teamsters and the United Steelworkers.

In connection with his work for the center, he has spent a number of years in Africa as the center's representative for the area stretching from the Sudan to Botswana.

We are also pleased to welcome Mr. Alexander Cunningham, vice president, General Motors, and general manager of General Motors overseas operations division.

Mr. Cunningham has been with GM since 1948 and has served as managing director of GM in Brazil and Germany.

Also, we would like to welcome Mr. Thomas Green, vice president for administration of the Norton Co., who is going to visit with us about his company and some of the interesting things that they have done.

[The information referred to follows:]

[From the New York Tmes, Sept. 19, 1976]

ECONOMICS OF RACISM IN SOUTH AFRICA

(By John F. Burns[1])

JOHANNESBURG.—A cartoon in one of the newspapers here last week showed Prime Minister John Vorster, apron tied to his ample waist and broom in hand, greeting Secretary of State Henry A. Kissinger at the door of Mr. Vorster's official residence.

"Excuse the mess," the Prime Minister was saying, "but the help hasn't turned up."

In homes and offices, on farms and factory floors, from one end of South Africa to the other, whites are learning to take over menial tasks normally performed by blacks. Last week, a 3-day protest strike in Johannesburg, the second in 3 weeks, halved the black labor force. It was a telling demonstration of the potential that black workers have to cripple an economy that has been underpinned for decades by an inexhaustible supply of cheap, docile and unorganized labor.

Probably the best measure of the middle class is the Government's manpower survey, which lists the number of blacks employed in the various professions. In April 1975 the survey showed a total of 11 engineers, 31 chemists, 63 lawyers, 83 university teachers, 85 doctors, and 528 journalists and writers. Only in school teaching, where there were 74,980 blacks and 54,928 whites, and among policemen, where there were 31,109 blacks and 22,049 whites, did blacks outnumber whites.

The growth of the middle class has been artifically restrained by the limited opportunities for vocational and professional training and by the system known as "job reservation." Enshrined in law and jealously guarded by the white trade unions, the system sets aside certain skilled jobs—accounting for an estimated 2.5 percent of all industrial jobs—for whites. The restrictions are concentrated in the motor mechanics and building trades. Last year, in the construction industry, overwhelmingly dependent on blacks for heavy labor, there were only 1,424 black artisans, compared with 30,912 white ones. Attempts by employers to persuade unions to open new opportunities to blacks are strongly resisted; in

[1] John F. Burns is a New York Times correspondent based in Johannesburg.

construction, it took years for blacks to be allowed to lay bricks, and then only stock bricks, which are covered later by plaster or stucco. A national strike in the diamond cutting industry was averted at the last minute a few months ago when the unions agreed to allow blacks to cut stones—but only small ones, accounting for a minor proportion of the total.

While they support other reforms, industrial executives are candid about their reasons for opposing wider unionization among blacks. In many sectors, especially mining, employers claim that the rapid wage increases of the past 5 years have already driven their profit margins dangerously low. In gold mining, where experienced black miners can earn up to $200 a week, less than half the $552 minimum paid to whites working underground, a decision to equalize minimum pay scales for the two groups would, industry experts say, bankrupt at least 16 of the 42 mines now in operation. The same is probably true for many other industries, especially when the plunging gold price has driven business into the depths of a recession.

After three months of battling with heavily armed police and a death toll of more than 300, demonstrators in the black townships evidently have decided that political power, for them, is more likely to grow out of idle lathes and abandoned brooms than the barrels of guns, which the law in any case denies them. The message has permeated a white community that has become inured to the daily bloodshed in the townships, prompting insistent pleas for racial reform from the normally conservative captains of industry and commerce.

The scene in Johannesburg, economic hub of the country gave a foretaste of the disaster the corporate barons wish to avert. Building sites stood idle, textile plants barely ticked over, delivery trucks sat in rows outside warehouses.

The extent to which the country's 4.2 million whites have been sustained by the labor of its 18 million blacks is starkly apparent in the Government's own statistics, which suggest that scarcely any sector of the economy could function for long without black workers. Of the 4.9 million fulltime workers registered last year, slightly over half, 2.7 million, were black, 1.5 million were white, 526,740 were of mixed race, and 181,066 were Asian. The dominant role played by blacks is more evident from the industry-by-industry breakdown. In gold mining, the pillar of the economy, the labor force of 380,091 included 341,575 blacks. Figures for other sectors show a similar ratio: coal mining, 190,596 (134,012); construction, 446,086 (309,094); textiles 97,628 (66,939); and food processing, 159,577 (103,286). Only in the public sector were the averages significantly lower: In public service, 461,948 (178,530); and the railways, 244,892 (113,406).

Figures for income by the various race groups show a huge disproportion. Whites, constituting 30.6 percent of the fulltime labor force, earned 68.2 percent of the wages and salaries in 1973. Blacks, 55 percent of the labor force, earned 21.1 percent.

The Government asserts, fairly, that black incomes have risen much faster in recent years than whites. Between 1970 and 1975, the real earnings of whites increased only 1.3 percent, compared with 8 percent for blacks. However, the effort to close a gap which had been progressively widening until the late 1960's made only a vestigial impact on the disparities. Average annual income among urban whites is estimated to be about $6,000; among urban blacks, most of whom are restricted to unskilled work, is between $860 and $1,600. In June, skilled workers in the construction industry, almost all white, were earning an average of $122 a week; unskilled workers, almost all black, $39. What this means can be judged by the Johannesburg Chamber of Commerce's estimate that the subsistence income for a family of five in Soweto in May 1975 was $136 a month.

With only 5.6 million blacks living in urban areas, less than a third, a truer picture of the bleak economic circumstances in which most blacks live is given by figures for those living in the countryside. In 1973, the average annual income among black farm laborers was $250. But an equal number of blacks were living, if barely, off their own meager plots, earning less than $100 a year. In the tribal homelands, where nearly 8 million blacks live, the vast majority live outside the cash economy altogether, grazing cattle and bartering as their forebears did.

Government officials argue that the relevant comparison is not between whites and blacks in South Africa, but between South Africa's blacks and blacks elsewhere on the continent. By this standard, they say, blacks are vastly better off here than they are elsewhere. "In Johannesburg alone, blacks have a larger purchasing power than the gross national product of Sierra Leone, Malawi and

Botswana, to mention only three," one official recently claimed. However, the claim is disputed by many economists. One private estimate puts the average per capita income among South African blacks 12th among African countries.

Officials also point proudly to the existence of a black middle class, claiming that it is the only one of any size on the continent. Before disorders erupted in Soweto, whites taking the official tour of the township were driven down Pioneer Avenue, described as the "millionaires row" of the township. In many ways, the street—a few dozen ranchstyle homes, amid 102,000 boxlike houses built by the Government, with an average of 6.7 people in four rooms—serves as a symbol for the economic status of Soweto. At the top sits Ephraim Tshabelala, who built a fortune out of a gas station, a cinema, and a chain of grocery stores; in the middle, a small middle class; and at the bottom, a huge mass of unskilled workers.

Senator CLARK. We will start with Mr. Jerry Funk then Thomas Green of Norton Co., and then Alexander Cunningham with General Motors.

We are operating under a 10-minute rule here because the hearings have to end rather soon today. So when the green light is on, you keep going. When the yellow light is on, it means you mave another minute. Then when the red light comes on, you can finish your idea and we will go on.

That will take about 30 minutes, with the remainder of the time for questions. I want to read into the record for purposes of orientation, this morning very brief summaries of the morning news on Africa, September 22:

Nyerere of Tanzania reports Rhodesia's Smith agreed on the black rule issue and Nyerere is more hopeful now. Kissinger is in Zaire today, with Kenya his next stop. Smith may make his reply on Friday but he told his government to think over the issues carefully and not to rush. Kissinger maintains that even if the Rhodesian Government initially balks, in perhaps 3 or 4 weeks Rhodesia's whites will face the fact that the only alternative left is escalating war and ultimate defeat. Meanwhile, Nyerere and Kissinger both report forward movement on Namibia but a few more weeks of bargaining are needed.

It appears that Smith asked certain concessions from African presidents regarding the transfer of power. If these concessions are not approved, Kissinger may have to go back to South Africa and Rhodesia for further negotiations. London, which has its own painful experiences with Rhodesia, is dubious on the outcome in Rhodesia.

The Kremlin continues to use leverage to keep Kissinger from succeeding. They have influence with Angola, Mozambique, and some guerrilla groups. As in the Angolan situation last year, the United States reminds Russia the main value of détente is to avert confrontations involving superpowers.

Cuba is believed to have withdrawn 3,000 troops from Angola in recent weeks but over 10,000 remain.

Chrysler seeks a buyer for its South African plants where inflation, recession, and high unemployment hurt economy.

First, we are going to hear from Mr. Funk. Let me say at the outset that all of your statements will be put in the record as if given orally. Don't be too concerned about the exact wording you use because we will put your statements in the record in their entirety.

[Mr. Funk's biography follows:]

BIOGRAPHY OF JERRY FUNK

Jerry Funk was born in Great Falls, Mont., in 1931. He graduated from the University of Portland (Oregon) with a B.A. in economics, and completed a Master's program in labor economics at the University of Washington.

Mr. Funk has been a member of the Retail Clerks International Association; the Amedican Federation of State, County, and Municipal Employees; the Teamsters; and the Oil, Chemical, and Atomic Workers.

Following his graduate studies, Mr. Funk was employed as a manpower economist for the U.S. Department of Commerce in 1960. He joined the staff of the United Steelworkers of America in 1963, and was subsequently based in Trinidad as an advisor to the Caribbean Bauxite and Mineworkers Federation.

Returning from the Caribbean, Mr. Funk joined the research and publication staff of the International Federation of Petroleum and Chemical Workers.

Mr. Funk has been with the African-American Labor Center (AALC) since 1968. Headquartered in Addis Ababa, Ethiopia, he served as the center's East Africa regional representative, responsible for AALC activities throughout the area extending from Sudan to Botswana.

In 1973, he was asked to come to New York City as the AALC deputy executive director.

Mr. Funk, his Ethiopian wife, Meaza, and their eight children reside in Tarrytown, N.Y.

STATEMENT OF JERRY FUNK, DEPUTY EXECUTIVE DIRECTOR, AFRICAN-AMERICAN LABOR CENTER, AFL–CIO, NEW YORK, N.Y.

Mr. FUNK. Thank you, Senator.

I wish to thank the chairman and the members of the committee for this opportunity to speak out on the tragic situation in the Republic of South Africa—a situation which has been developing and worsening for 25 years, but which has only recently become a front-page crisis reported in the news media around the world.

The fact is, of course, that for a generation or more, the 18 million black people of South Africa and the 3 million so-called colored and Asians have been living their day-to-day lives in crisis: A very real and personal crisis of restrictions, humiliations, deprivations, and social and economic injustice of an order which can only be described as a monstrous affront to humanity.

AFL–CIO IN AFRICA

The AFL–CIO is very concerned about South Africa, and has been for years. The AFL–CIO has a long history of interest in African affairs going back to the pre-independence days of the 1950's when it responded positively to the pleas for understanding and assistance which were addressed to it by a great many emerging African national leaders of that period.

In 1964, to systematize the programs of assistance to African national trade union centers, the AFL–CIO created the African-American Labor Center (AALC), which now carries out projects in some 35 nations of Black Africa, including the southern African nations of Zambia, Botswana, Lesotho, and Swaziland. President George Meany is president and chairman of the board of directors of the AALC, and Patrick O'Farrell serves as executive director.

It should be noted that the AFL–CIO has been a constant and vocal critic of the whole concept of the repressive and inhuman apartheid system of South Africa from the outset, and has put forth a great many resolutions and official statements condemning the system as it has developed during the past 25 years.

BACKGROUND OF DISTURBANCES

The presently continuing and worsening series of riots and distrubances which began in June of this year and should come as no surprise,

for they are the inevitable consequence of the South African Government's official policy of bringing black workers in the modern white-dominated economy as a source of cheap labor, and at the same time denying these people even the most elementary human dignity and economic justice.

It is a schizoid policy, bordering on the macabre. It assumes that the black worker should happily lead an unreal half life, living as near nonperson in his own country, providing his brains and muscle and skills to build his country, but that he should not have the effrontery to ask for anything approaching a just reward for his labors, nor even full recognition as a human being.

For this whole mad apartheid system, which is basically designed to exploit workers, the handwriting was certainly on the wall with the so-called Durban strikes of January and February 1973. At that time, a series of largely spontaneous work stoppages, involving tens of thousands of workers, demonstrated that the black workers of South Africa were beginning to fully recognize their own economic and political power, and that they had their fill of exploitation and humiliation.

When the present disturbances began in Soweto last June, the South African authorities said, and probably believed, and led much of the world to believe, that the issue was dissatisfaction with the language of instruction in the schools, and that the continuing troubles are attributable to outside agitators. This is utter nonsense. The basic issue is simply that the workers of South Africa, and their teenage children who are trying to enter the job market, are beginning to demand what workers around the world aspire to—human dignity and a fair share of the fruits of their labor.

LABOR DISSATISFACTION

In an article published in the Johannesburg Star on August 21, 1976, Mr. Leonard Mosala, a respected member of Soweto's Urban Bantu Council, is quoted as follows:

> I have listened to the youth of Soweto, and I have found that they are concerned about all the inequalities of the black man.
>
> As high school students they are particularly aware of discrimination in education, but they are equally concerned about the discrimination awaiting them when they leave school or university.
>
> They want to be eligible for apprentice training. They want to be employed in jobs restricted to whites. They want to be able to take up any job for which they feel qualified, anywhere in the country. And they want to be paid the rate for that job.
>
> Labor is the key to their standard of living and self-realization. It is the key to their entire future.

Mr. Mosala is further reported as saying that the answer lay in full trade union rights for blacks.

Senator CLARK. Do you agree with that?

Mr. FUNK. Yes; I most emphatically do.

In that same article, Mrs. Lucy Mvubelo, the black general secretary of the largest black trade union in the country, the 23,000-member National Union of Clothing Workers, associated herself with Mr. Mosala's remarks, and went on to point out that the feeling among black workers is running so high that they would rather be unemployed than work for starvation wages any longer.

In other words, the black workers of South Africa are fed up with the system. At the very least, the most moderate of black leaders are demanding immediate, and long overdue, basic reform, starting with the granting of full trade union rights, and full human rights.

STATISTICAL PICTURE

The population of South Africa is approximately 25 million, with about 4 million whites, 2.3 million coloreds, mixed ancestry, 0.7 million Asians, and 18 million black Africans.

Roughly one-half of the blacks live in the nine so-called homelands or bantustans, which make up 13 percent of the area of South Africa, and slightly less than one-half of the blacks live in the white areas, which take up the remaining 87 percent of the country.

Of the approximately 8 million blacks who reside temporarily in the white areas, roughly two-thirds live in the urban areas, and one-third live in rural areas.

With respect to economic distribution, in general terms, in most industries, a black worker can expect to earn less than one-fifth or one-sixth of the wage earned by a white. The overall distribution of purchasing power shows that the 20 percent of the population which is white controls some 70 percent of the purchasing power of the nation.

There are other interesting statistics. The South African Government spends roughly 15 times as much per annum per white student in primary and secondary education as it does for each black student. White per capita income is about 18 times that of black per capita income. In 1974, the monthly per capita incomes of the four racial groups were as follows: white, 184 rand; Asian, 37 rand; colored, 29 rand; black, 10 rand—1 rand equals $1.15.

In Soweto, the black township which serves as the temporary home of the 1 million black people who provide a cheap labor pool for white Johannesburg, there are endless rows of tiny one-story, four-room houses. Only 25 percent of these houses have running cold water, 20 percent have electricity, 15 percent have bathrooms.

But statistics can't begin to tell the story of the human degradation and frustration which has led to the situation which exists in South Africa today.

One must try to understand, if one can, the endless web of the laws and regulations and customs of the apartheid system, which entangles virtually every aspect of the daily lives of the 21 million nonwhite people of South Africa—the pass laws, the job reservation system, the so-called petty apartheid regulations, the disparity in provision for housing and transportation, the lack of educational and training opportunities for nonwhites, the deliberate and systematic policy of preventing blacks from organizing viable and effective trade unions.

INDUSTRIAL RELATIONS SYSTEM

It is not illegal for blacks to form trade unions in South Africa, it is simply extralegal.

It is illegal for blacks to be members of registered trade unions of their own, or with members of other racial groups. Black workers are not regarded as employees in terms of South African law and there-

fore cannot form legally recognized and registered trade unions, either among themselves or with whites or coloreds or Asians.

Under the industrial relations system in South Africa, a trade union must be registered by the government if it is to be entitled to be a party to an industrial council or a conciliation board.

Since virtually all wages and conditions are determined, at present, either directly or indirectly by these industrial councils, or the wage board, this means that the black worker has no voice in what his wages, hours and conditions of work shall be. He is emasculated, and virtually powerless under the law and the prevailing custom.

Traditionally, collective bargaining is carried on by registered trade unions and employers operating in more than 100 National Industrial Councils, and the resulting contracts are given legal sanction. The black worker has no voice in this process.

Other wages are set by conciliation boards, or the wage board, which make recommendations to the Minister of Labor, who then establishes certain minimum terms for an industrial sector. Again, the black worker has no voice in the process.

The Industrial Conciliation Act of 1950, one of the basic labor laws of South Africa, provides that registered trade unions cannot have black members. Only whites, coloreds and Asians may belong. And since 1956, no trade union may be formed with mixed white and colored and/or Asian members. Those mixed unions which existed prior to 1956 must now have separate white and colored/Asian branches.

Again, it should be stressed that blacks may form their own trade unions, but that they may not be registered and therefore, under the legal machinery of the existing industrial relations system, and given the general traditional attitudes of employers, those black unions which have been formed have been rendered largely powerless for all intents and purposes.

Following the Durban or Bantu strikes of early 1973, the South African Government pushed through the Bantu Labor Relations Regulation Act of 1973, in an attempt to set up machinery for settling black labor troubles without allowing black workers to really organize into effective trade unions.

In actual fact, the law was designed to put an end to the very real threat of the rise of an effective black trade union movement in South Africa.

The act provides for works committees or liaison committees, which are in fact, and have been perceived to be by the black workers, the worst kind of pure company union.

The liaison committees, which were at first enthusiastically supported by many employers and now number some 2,000, as against about 200 works committees, must have at least one-half of the members elected by black employees, but the chairman and the remainder of the members may be appointed by the employer. The committees simply do not represent the black workers.

The 1973 act also made it theoretically legal for black workers to strike, but restricted that right so effectively as to preclude any real possibility of legal strikes.

Before a strike is legal, four restrictive conditions must be met: (1) The committee must consider the dispute, and such consideration can

be endlessly protracted, and a 30-day cooling off period must ensue; (2) no minimum wage level may have been determined by a board and the Minister of Labor during the previous year; (3) the workers must not be engaged in essential activity, as determined by the Minister; and (4) the matter under dispute must not have been referred to the wage board for recommendations.

Thus, effectively, there can be no such thing as a legal strike. The black workers obviously resent this sham, and the resulting frustration on their part is understandable. The results have been predictable.

While in 1972, prior to the act of 1973, there were only 71 strikes, in 1974 there were 374 illegal strikes involving about 60,000 black workers. The police were asked to intervene in 69 of these strikes, and 841 people were arrested. That pattern of black labor unrest continued in 1975.

Given the situation prevailing in South Africa since June, the statistics for 1976, if they are tabulated at all, will show an astronomical rise.

GOVERNMENT, EMPLOYERS, AND TRADE UNIONS MUST EFFECT CHANGE

It would seem to be no longer certain that the basic and fundamental change so obviously needed in South Africa can be brought about by peaceful reform of the system. One can always hope, but time is growing very, very short.

The possibilities for such basic reform are a function of the attitude and actions of three groups: the government, the employers, and the trade unions.

The change, we believe, must basically come from within South Africa itself, although certain pressures can be applied from outside South Africa, by the same three categories of organizations.

THE EMPLOYERS' ATTITUDE

The employers of South Africa, including those U.S. companies which have invested about $1.5 to $1.7 billion in South Africa, or about 16 percent of all direct private investment in South Africa, are, of course, primarily concerned with making profits.

When the inevitable skilled labor shortage, brought on by years of deliberate failure to provide training for blacks, began to cut deeply into productivity and profits, the employers, with the tacit approval of the government, began to ignore and circumvent the system of job reservation, which had prevented blacks from holding such skilled jobs as telephone operators.

Again, following the rash of illegal black strikes of 1973 and early 1974, a survey published in the Johannesburg Sunday Times of May 12, 1974, showed that fully 51 percent of all businessmen surveyed in South Africa wanted blacks fully integrated into trade unions, another 27 percent wanted recognized, trade unions for blacks, and only 10 percent were opposed to legitimate trade union representation for blacks.

Further, more than 60 percent said flatly that the system of works and liaison committees, introduced by the act of 1973 was simply not working.

Thus, in general, it seems fair to say that at least a substantial number of employers in South Africa are beginning to perceive the necessity for truly representative trade unions for blacks, as a matter of self-interest.

THE TRADE UNION ATTITUDES

The trade unions of South Africa have also acted, unsurprisingly, in their own self-interest, or what they perceive to be the interest of the members. Inevitably, it would seem, the trade union movement in South Africa is split. There are two national centers of registered trade unions, a large group of independent registered trade unions, and a small but growing group of unregistered black trade unions. There are also two former black trade union organizations now in exile.

A rough estimate of membership is presented to give an order of magnitude for comparative purposes.

[In thousands]

Grouping of unions	Trade union membership			
	White	Coloured, Asian, or mixed	Black	Total
TUCSA (Trade Union Council of South Africa)	70	155	28	253
SACL (South African Confederation of Labour)	200	--	--	200
Independent, registered	100	40	--	140
Nonregistered (black)	--	--	52	52
Total	370	195	80	645

The larger of the two national centers, the Trade Union Council of South Africa [TUCSA] is led and dominated by a white leadership which often openly and even courageously has stated its philosophical opposition to the total repression of the apartheid system, but which, because of a combination of law and custom and inertia, has been unable to do much about it.

About two-thirds of TUCSA's membership is in colored or mixed unions, that is, unions predominantly colored and/or Asian, but with no blacks.

Prior to 1968, TUCSA had affiliated some black unions, but expelled them that year in response to various pressures. In 1973, TUCSA invited black trade unions to return to the fold, but few have done so.

A significant development in TUCSA's membership figures should be noted. The 23,000-member National Union of Clothing Workers has just recently become affiliated. Mrs. Lucy Mvubelo, the union's general secretary, was at the time of affiliation elected to TUCSA's National Executive Committee.

The South African Confederation of Labour [SACL] is totally white and very much committed to the apartheid system, which it correctly views as a very effective mechanism for maintaining the dominant economic and social position of its white membership, at the expense of the black, colored, and Asian workers.

There are a number of independent registered unions, about two-thirds of which are all white in membership and about one-third colored, or Asian, or mixed.

In general, these unions are quite conservative in nature, and are much more concerned with maintaining the position of their membership than with the plight of the blacks.

It seems fair to state that the vast majority of the membership and leadership of the registered trade unions of South Africa are broadly committed to the maintenance of the status quo of the apartheid system, with certain notable exceptions within the TUCSA structure and among the independents.

The 20 or so unregistered and extralegal black trade unions, with total membership claims of between 50,000 and 75,000, are, of course, trying to do something positive for their black workers, but the odds have been long.

The 23,000-member National Union of Clothing Workers is the largest and best organized, and effectively represents its membership. There are a half dozen or so other black unions ranging in membership from 2,000 to 5,000. Most of the 20-odd black unions have been formed since 1973, and they appear to be growing in strength and may provide some long-odds hope for the future.

But one must remember that in the early 1960's there were more than 100,000 black trade union members, roughly split between the more leftist South African Congress of Trade Unions [SACTU] and the more moderate Federation of Free African Trade Unions of South Africa [FOFATUSA]. Both organizations were ruthlessly crushed by the South African police and now function only as exile organizations.

THE ATTITUDE OF THE GOVERNMENT

The attitudes and actions of the South African Government are clearly directed toward the continued exploitation of cheap black labor. The response of the Government to the labor disturbances of 1973 was to make some cosmetic changes in certain petty apartheid regulations, and to introduce the Bantu Labor Relations Regulations Act of 1973, which has been shown to be superficial and unworkable as an answer to the basic problems of black workers.

The obvious and express policy of the Vorster government remains one of so-called separate development or separate freedoms.

In the lexicon of the South African situation, this translates quite clearly into continued economic exploitation and humiliation for all but the white members of the society.

NECESSITY FOR CHANGE

It is the view of the AFL–CIO that the apartheid system and police state within South Africa is a continuing and real threat not only to the suffering nonwhite people of South Africa, but to all the peoples of Africa, and indeed, to free men everywhere.

It has always been the policy of the AFL–CIO to take an active stand against repressive systems and governments on all parts of the political spectrum, on the grounds that the loss of freedom suffered by any working man or woman anywhere is a real threat to all working men and women everywhere.

WHAT CAN BE DONE BY EMPLOYEES, GOVERNMENT, TRADE UNIONS

It is axiomatic to state that real fundamental and lasting change in any society must basically come from within. But one must not neglect the pressures that can be exerted from without to bring about attitudes that can assist in such changes.

With respect to South African employers, particularly those representing U.S. investment, and Western European investment as well, we can and should bring more pressure to bear through the home office to urge these employers to be more responsive to the needs of black workers.

In the past, the general response of the employers has been to claim that law and custom prevent them from doing more. But this is not the case. There is no law which prevents an employer from raising wages. There is no law which prevents an employer from training a black man for any job, and exceptions to the job reservation regulations are easily obtainable, given the shortage of skilled labor. There is no law which sets a limit on fringe benefits which may be given to black workers. And there is no law which prevents an employer from dealing with a black union in good faith should he choose to do so.

Employers can be urged to do a great deal more in the matter of improving wages, hours, fringes, and conditions of work, and in providing more training. These things can be done. The U.S. Commerce Department estimates that U.S. investments in South Africa brought a rate of return of 18.6 percent in 1973, 17.9 percent in 1974. In manufacturing in 1974, the overall rate of return for U.S. investment was 12.4 percent in developed countries, and 13 percent in developing countries. In other words, employers can certainly afford to do more.

But the starting point for all of this needed change is for companies operating in South Africa to be urged to recognize honest to God trade unions with black membership, and to deal with them in good faith, even though agreements are not acorded any status under the law.

With respect to the South African Government, the U.S. Government must continue to emphasize and reemphasize its stated opposition to the whole apartheid system.

In this regard, while we fully support the recent direction of Secretary of State Henry Kissinger's pronouncements on apartheid, we wish, first, that they had come at least 5 years sooner, and, second, that they had ben even more forceful.

We believe the U.S. Government should reexamine its position on the enforcement of the South African arms embargo, with a view to making such an embargo effective. And we believe that the U.S. Government should be more aggressive and positive in advising U.S. investors in South Africa as to what can and should be done to improve the lot of the nonwhite South African worker.

The question of a general economic boycott of South Africa has been at issue for years, and has been one of the main rallying points of the Organization of African Unity for some time. Many organizations in Europe have called for such a boycott, and recently some Australian trade unions have begun to boycott South African ships and aircraft and goods.

Although the AFL–CIO supports the imposition of a tight arms embargo, and has in the past called for some form of economic boy-

cott, it recognizes that such a general and total boycott may hurt first and most lastingly the very people you want to help, the black and colored and Asian workers.

The ultimate objective of such a boycott, assuming the unlikely event that it could be made effective, is to totally destroy the economy of the country. The presumption is that the country must be destroyed before it can be rebuilt on the basis of human dignity and freedom.

This is a dangerous assumption, which we have seen lead to the protracted and continuing loss of all human freedoms in many countries of the world.

We believe that the better solution is to bring about reform, radical reform, to be sure, from within. But one must admit that time is perilously short.

With respect to the role of the AFL–CIO in trying to help bring about change, there are certain things we can do, and have been doing, and will continue to do. We have been in sporadic, but continuing contact with the more enlightened members of the TUCSA leadership over the years, one of the two major national centers of South Africa, and have consistently urged and encouraged them to do what they can for the black workers.

We have also been in touch with certain of the leadership of the nonregistered black trade unions and have given them encouragement and moral support. This holds true for certain of the black trade union movements in exile.

We have been approached several times by black trade union leaders and progressive white trade union leaders, as well as by some black political leaders, and by a few employers, to inquire if we could be of assistance in providing workers education for South African blacks. To date, we have found no rational way of responding to these tentative feelers in a positive manner.

Our problem is twofold. First, we have never been given even tentative assurances that the South African Government would permit us to engage in any truly meaningful educational programs in South Africa.

And, second, we are faced with a basic philosophical problem: How can we assist in building up a system of separate black trade unions which would seem to be supporting the separate development concept of apartheid?

How can we consider going into South Africa to assist in building separate but equal trade unions, when we have spent decades fighting the same basic concept in certain areas of our own country, north and south?

Perhaps there is some way in which we can help train black trade union leaders for the day when there can be legitimate multiracial and fully free representative in South Africa. We are actively searching to find that way.

Our basic position has been and continues to be that the ultimate objective in South Africa, as anywhere, is human dignity and freedom, and full participation by all in the fruits of the economy.

And such an objective demands the ultimate formation of fully racially integrated trade unions open to all workers on the basis of full equality.

We have been searching and will continue to search for some vehicle by which we can actively assist in achieving this goal.

Thank you.

Senator CLARK. Thank you very much. It is an interesting statement. I wish we had time to listen to all of it. But we will certainly read it in the record. I want to ask you some questions about it.

We are going to hear now from Thomas Green, vice president of administration of the Norton Co., Worcester, Mass.

STATEMENT OF THOMAS S. GREEN, VICE PRESIDENT OF ADMINISTRATION, NORTON CO., WORCESTER, MASS.

Mr. GREEN. Norton Co. appreciates the opportunity to attend these hearings. I speak on behalf of one who has managed Norton operations in Mexico and Italy and has visited South Africa for several weeks in order to analyze the social and economic conditions which impacted on our operations there.

Norton Co. is a multinational industrial company with 93 plant locations employing nearly 20,000 in 21 countries. Its 1975 sales were $548 million. It is the world's largest abrasives manufacturer, making both raw materials and finished products such as grinding wheels, sand paper, diamond products, and pulpstones.

It also manufactures a variety of other product lines including industrial ceramics, sealants, chemical process products, plastic and synthetic products, biomedicals, and industrial safety products.

It was founded in 1885 in Worcester, Mass., where corporate headquarters are currently located. The first foreign manufacturing operation was established in Cologne, Germany, in 1909, followed by plants in France, Italy, England, Canada, and Australia after World War I. Since World War II, plants have been constructed in 15 additional countries in Europe, Central and South America, Africa, and the Far East.

Norton Co. first exported products to South Africa about 1907. To preserve its market in the face of import restrictions and some modest tariff barriers, it established in 1950 a plant to manufacture grinding wheels at Isando, an industrial area on the outskirts of Johannesburg. Its grinding wheel distributor merged with this new manufacturing company and the managing director of the distributorship, Mr. W. L. Campbell-Pitt, became managing director of the joint operation. Facilities to manufacture coated abrasives were added in 1964.

In 1971, the Norton Co. in South Africa acquired the Lasher group of companies which manufacture and market handtools, principally shovels, rakes, pitchforks, and saws, both circular and hand. This company had been formed in 1893.

More recently, 1975, it acquired Republic Buff, a manufacturer of buffing and polishing materials.

NORTON PLANT LOCATIONS

The two largest Norton plants are at Isando, and at Germiston, where shovels and rakes are manufactured. These two operations account for approximately two-thirds of the employment of over 1,400 persons.

Norton recently moved other hand tool operations to a new plant it constructed in a decentralized industrial area in Ladysmith, contiguous to the Kwazulu homeland.

Republic Buff has a plant near Johannesburg and another in the Lebowa homeland. The company's marketing and warehousing operations are handled through six branch offices located throughout the country.

NORTON COMPANY EMPLOYMENT DISTRIBUTION

The employment distribution is 72 percent black, 3 percent Asiastic and colored, and 25 percent white. Most factory positions, which total over 1,000, are filled by black personnel and the trend has been steadily in this direction.

For example, at the abrasive plant at Isando, during the past 3 years, 37 of the few remaining jobs previously performed exclusively by whites were transferred to blacks. The factory payroll is now entirely black except for four white craftsmen, compared to an even distribution between black and white 10 years ago.

A dozen clerical and data processing positions were transferred from white to Asian or from Asian to black at this same location.

First line supervision of black personnel at all major operations has been assigned to black Indunas, or working group leaders. The Indunas, who were appointed as early as 15 years ago at the Isando operations, and at Germiston immediately upon acquisition of that plant in 1971, are constituted into Induna committees under their own chairmen and secretaries. Their functions are to discuss and to make recommendations on employees pay and fringe benefits, as well as their own functions and responsibilities as supervisors.

These positions exist in both our unionized and nonunionized plants.

During the past 4-year period, total Norton employment in South Africa has increased by 400 persons, of which 340, or 85 percent are black.

NORTON COMPANY WAGES AND BENEFITS

By any remote standards within which we measure wages in this country, the wages paid to nonwhites in South Africa are pitifully low. Standard of living is proportionately low, not only because of the income level, but because goods and services that could raise these standards are minimal.

The housing in black segregated towns and cities is generally substandard by our values and heavily overcrowded although at subsidized rents; medical services, again subsidized, are insufficient; and educational facilities are grossly inadequate in every respect, and in addition, require tuition payments as contrasted to free public education for whites.

Norton Isando minimum wages have always been above the minimum effective level. This is a nongovernmental wage standard calculated for the Johannesburg area, and set at a level 50-percent higher than the so-called poverty datum line, and about twice the level often set by the government as a minimum wage. This minimum level is currently $120 per month. By comparison, the table that follows reflects the current Norton monthly salary schedules and averages for

a black male worker and the number employed in each of the five established grades.

Grade	Employees	Minimum	Highest current	Average
I	34	$180	$220	$189
II	104	184	233	197
III	73	191	238	216
IV	34	199	272	238
V	7	210	294	260

The current average monthly wages represent an approximate 18-percent-a-year increase since early 1973. It should be further noted that the reported current estimated monthly income nationally for workers in grade I is $104, and for the industrial area in which Norton is located outside of Johannesburg the corresponding average is $129.

Norton has made two acquisitions; the Lasher tool group and Republic Buff. Minimum wages and benefits in both these companies are negotiated between industrial councils and unions. Bargaining on behalf of the blacks is done through representatives of the whites and coloreds who are members of these national unions.

Since the acquisition of the Lasher tool group, considerable effort has been made by Sifsa, the industry employers council to increase the wage level significantly with the result that over a 3-year period wages for most workers have increased on the average of 2⅓ times. Norton pays about 10 percent above negotiated rates.

At the Norton Grinding Wheel and Coated Abrasive plant at Isando, the same fringe benefit programs apply equally to whites, Asians, coloreds, and blacks. Vacation schedules are the same for all personnel, with the same guidelines applying to the calculation of vacation bonus for salaried and hourly personnel.

Paid holidays are the same for all. Group life is calculated at 2 years earnings regardless of service. A pension fund is financed by equal contributions of 5 percent of earnings from employee and the company. A medical aid with a 50-percent subsidy applies to all employees alike.

The fringe benefits for the Lasher tool group and Republic Buff are set forth in the industrial agreement.

HOME OFFICE RELATIONS WITH SOUTH AFRICAN SUBSIDIARY

The management of the Norton South African Co. under the direction of Mr. William L. Campbell-Pitt, a South African, who served as managing director until about 10 years ago, had consistently exerted leadership to improve the working and living conditions of the African. He was a founder and chairman of the Productivity and Wage Association, which was one of the most active and effective groups in furthering enlightened social progress, particularly through the training and upgrading of black workers and in promoting improved economic conditions.

It was under his direction some 15 years ago that the position of black Induna, or working group leader, was established within the Norton operation at Isando. The leadership of these supervisors and

their joint committee has contributed significantly to improve communications between the management and the black workers.

It is also through his leadership that in the early 1960's, a non-European staff committee was established consisting of representatives selected by employees themselves from various departments of the company.

The Norton corporate management has always provided strong support for such measures in South Africa, and has urged the establishment of wage scales well above the prevailing averages, and the adoption of benefit programs that treated all employees equally. In 1970, when public interest in this country sharpened on race problems in South Africa, Norton management began a continuing process of reexamining and reevaluating its role in South Africa.

The fundamental query, from a financial standpoint, related to withdrawing, reducing, maintaining or expanding the investments in South Africa in the face of the inevitability of racial unrest. Socially, it explored ways to improve, within its limited capabilities, the economic conditions and human rights of the black employees on its payroll.

In October 1971, the board of directors adopted a policy statement on the company's investment in South Africa—see exhibit I—in which it stated:

> We believe that only by being present in South Africa can we promote the greatest opportunities for all its people * * *. We intend to continue to work with those business and industrial leaders in South Africa who seek enlightened and progressive treatment for all.

The vice president in charge of our European and South African operations attended a week-long seminar conducted by the United States—South African leadership program in order to sensitize himself more fully to the conditions and possible options. As vice president of administration and in a staff position, I was asked to spend several weeks in South Africa to assess our role and possible trends.

Our president, Mr. Robert Cushman, has visited the country on many occasions, and our executive vice president for our worldwide abrasives operation, Mr. Harry B. Duane, travels to South Africa two or three times a year. High priority is given on these visits to reexamining our role on racial problems, and to assessing our progress in reducing discriminatory treatment of nonwhites.

When the chief minister of the Zulus, M. Gatsha Buthelezi, visited this country in 1972, our president met with him privately for several hours to obtain his views on the proper role of American business in South Africa, with particular reference to the entire program of separate development. Subsequently, the chief and his cabinet spent a day visiting the Norton operations in Isando. In 1975, Chief Buthelezi was one of two principal speakers at the opening of the new Norton production facilities in Ladysmith contiguous to the Kwazula homeland, the other being Hon. P. G. J. Koornhof, Minister of Mines, Immigration, Sport, and Recreation. Among other comments, he said:

> I remember the visit of my cabinet to your headquarters on the reef where we had deliberations which include possible assistance by your company to the Zulu people. Although you seemed even then determined to do something in this direction, I never thought that this would materialize within such a short space of time.

One of the features which had been promoted by the decentralization board, but now discontinued, to attract industry to these border areas had been the prospect of much lower wages along with tax rebates, moving allowances and other incentives. Greatly troubled, the chief noted in his remarks that, "I'm getting increasingly concerned about some of the disgraceful wages paid to our people as a result of this particular so-called concession."

Norton management, local and corporate, agreed fully with his concern. It started production at Ladysmith with a wage schedule that was identical to that which it used for its workers in the industrialized area of Germiston outside of Johannesburg.

In 1972, the matter of the wage gap between whites and nonwhites, particularly blacks, received particular attention from our management and an effort was made to establish some reliable data to determine the scope of the gap that did exist in our operations. Our wage levels for blacks were well above the minimum effective level. In many instances, on the other hand, wages paid whites were inflated beyond a normal wage curve because the shortage of equivalent skills among nonwhites has permitted whites to command excessive wages.

Furthermore, the gap when considered in terms of purchasing power and discretionary or disposable income becomes confused by personal tax differentials, subsidized housing and medical services for blacks, and free education for whites. In the absence of reliable data, and of a unitary curve derived from job evaluations, local management, in agreement with the home office, decided to increase nonwhite wages at least half again as much percentagewise as those offered to whites on each occasion of general or individual wage increases. There is still a decided though undefined gap, which will in time be measured more accurately, but which is steadily closing, particularly with reference to disposable income.

NORTON DEVELOPMENT TRUST FUND

With an eye toward the broader community and financial needs of the black population, a development trust fund was established in 1973 at the suggestion of the home office and funded initially with $100,000. The objectives of this trust fund, in summary, are: To foster the creation of job opportunities; to improve education and training facilities; to encourage improvement in working and living conditions; and to support organizations which are striving toward similar objectives.

These funds have been used for a variety of purposes with, however the principal emphasis directed toward supporting struggling small black businesses in the homelands and in black urban townships, as well as in supporting and as an associated member some of the financial needs of the National African Federated Chamber of Commerce. However, our observation has been that the effective use of top and middle management time for consulting help to small black businessmen is far more important than the small amount in this trust fund.

During the past few years, Norton Co. has communicated to its shareholders, employees, and the public generally, its role and objectives in South Africa, through a brochure entitled "Response." This summary of the company's objectives, accomplishments and short-

comings in its social and community programs has been included as a supplement to the annual reports, and widely distributed. [Exhibits IIa and IIb] [See p. 443.]

WHAT COMPANIES MIGHT DO

We have been asked, in conjunction with this testimony, to address ourselves to the question of what companies might do. In attempting to answer the inquiry, we wish to make it clear that in no way do we suggest that the programs introduced by Norton Co. represent other than our own limited and inadequate efforts to create change in areas on which we can impact.

A recent editorial in the New York Times stated, "The whole vicious and unfair system of privilege based upon a color of a man's skin is doomed by the movement of modern history." We are in full accord with this statement. And ahead of us in South Africa in the immediate few years we foresee only two broad options.

The one, which we would deplore, is the heavy hand of a police state—from the standpoint of the nonwhites—suppressing temporarily and violently the protests and frustrations that have emerged so dramatically.

The other option would be; while maintaining law and order, the initiation of a planned and publicly scheduled elimination, within a predetermined and relatively short period of time, of the fundamental policies of separate development and apartheid, and concurrently the extension of national citizenship and full civil rights to all nonwhites. Needless to say, we are talking about pass laws and the limitations on mobility; segregated housing and hotels; the restrictions of job changes and job exclusions against nonwhites; the tolerance and actual endorsement of unequal pay for equal work; and on the more positive side, the introduction of free and dramatically improved educational facilities for nonwhites; and the right for black workers to organize, negotiate, and strike.

We firmly believe that the presence of foreign investment, of which U.S. investment represents a substantial proportion, is important in South Africa. This investment strengthens the economic base of the country, provides jobs that are desperately needed by the blacks and other nonwhites and offers the opportunity to demonstrate by example the validity of equal treatment and social integration of races. Should the road of heavy suppression be followed, the business community would find itself seriously handicapped in pursuing these objectives, and many including Nortion Co. might reconsider the advisability of continuing their presence in South Africa or of expanding their operations.

On the other hand, if as events develop, there appear prospects that the Government will pursue positive programs to move away from separate development and to establish equal civil rights for nonwhites, the combined efforts of the American business community which has an interest in South Africa could assume some importance by promoting such changes in policy and by formulating and implementing business and community programs to support the transition.

Business, in order to survive in the competitive economic environment in which it operates, of necessity has learned to be innovative; to

test and discard ideas and programs; to plan and measure results: and particularly, to be cost effective, sharing improved productivity with its workers.

It has proven that social integration works in its operations. More recently, in this country, business has broadened its community orientation and contributions by applying its skills and knowledge to new and emerging problems. This role can be vigorously pursued in South Africa, if welcomed.

We respond with genuine interest to the proposal by Mr. Verdon Jordan, head of the National Urban League, that a coalition of American businesses be organized in this country and that it adopt specific recommendations that relate to its business operations in South Africa.

More immediately, North plans to continue and to accelerate the steps that it has already taken to narrow the wage gaps; to strengthen fringe benefits: to improve and upgrade the training of employees and the educational support of their children; and, through the Norton Development Trust, to promote the principle of free enterprise by helping black businessmen and to otherwise contribute to some of the more crying social and human problems of the nonwhites. Some of these problems and their solutions on which the business community can focus are analyzed in a thoughtful and enlightened report on black unrest addressed last month to the Prime Minister by the Transvaal Chamber of Industries.

WHAT U.S. GOVERNMENT MIGHT DO

With direct reference to the continuation and expansion of U.S. business investments and operations in South Africa, the U.S. Government can stress to the South African Government the urgent need to provide equal housing and education to all, regardless of color; to educate, train, and upgrade the black worker; and to eliminate constraints on his mobility and wages so that business can grow internally, and thus provide needed jobs and produce necessary goods and services, in many of which areas the South African Government is already taking action.

Thank you.

[Exhibits to Mr. Green's prepared statement follow:]

EXHIBIT I

STATEMENT OF NORTON CO.'S POSITION ON INVESTMENT IN SOUTH AFRICA [1]

Norton Co. has carefully considered its position regarding its investment in South Africa and has concluded that maintaining its subsidiary in that country is consistent with its role as a multinational company. We believe that only by being present in South Africa can we continue to promote the greatest opportunities for all of its peoples. Norton also agrees with the view of those responsible critics, black as well as white, who point out that a withdrawal from South Africa would injure the very people it is designed to benefit, by eliminating jobs which nonwhites sorely need.

Norton is opposed to racial discrimination in any form, and its board of directors has adopted an affirmative program of providing opportunities without discrimination for present and prospective employees which will allow them to utilize their abilities to the maximum possible extent. In South Africa and some

[1] Since the adoption of this statement by the board of directors, there has been an accelerating rate of movement toward these objectives which we have noted with satisfaction.

other countries, because of the restrictions in local laws, it is not yet possible to implement this program fully.

Nonetheless, since the formation of our subsidiary in South Africa more than 20 years ago, Norton has done much to improve working conditions, compensation, fringe benefits, and opportunities for all our employees there, both white and nonwhite. In fact, Norton has been recognized for many years as one of the leaders in this regard.

It is the directive of the board and the position of line management that Norton will continue its efforts to assist in the development of all the peoples of South Africa and in all other countries where the company does business, without discrimination, to the best of our ability and within the laws which apply. We intend to continue to work with those business and industrial leaders in South Africa who seek enlightened and progressive treatment for all and to aid especially in the movement for improved education, health standards, living conditions, fair employment practices, improved wages, and other measures which will serve the cause of social welfare and justice.

EXHIBIT II A

EXCERPT FROM RESPONSE 1973, A SUPPLEMENT ON SOCIAL PROGRAMS TO THE NORTON CO. ANNUAL REPORT

SOUTH AFRICA

Norton Co. has been sellinig its products in South Africa since 1907 when its first distributorship there was established its first manufacturing plant was built at Isando (near Johannesburg) in 1950. Today, we employ about 1,100 people at six manufacturing facilities and eight sales and office facilities in South Africa.

Devoting a full page to South Africa in a report on social responsibility that concerns itself almost exclusively with U.S. programs might tend to give a disproportionately high focus to the subject. We accepted that risk because we know there are those in the United States who have urged American business to get out of South Africa. Every responsible leader in South Africa from the noted author Alan Paton to the chief of the Kulus has urged the contrary. They know that the economic, social and educational improvement of blacks in South Africa is inextricably linked to the role played by the multinational firms in their country.

In Norton's case, more than 700 blacks would not have the types of jobs that provide these improvements and the increased employe benefits for which the firm has been cited in several articles published in the United States and South Africa if it were to leave.

Through a variety of innovative employe relations Norton has upgraded its black work force in South Africa to the point where many skilled and semi-skilled positions in its several plants are filled by blacks.

Black wages at our South African plants are among the highest in the country and we are actively accelerating increases to close the gap with white pay. We are working with both black and white leaders in programs aimed at better training, better job opportunities and better living conditions. We have introduced a system of black leadership, called Indunas, who provide first line supervision and together with elected Black Works Committees represent workers to management. Norton's employe fringe benefits in South Africa are substantially higher than the national average.

Norton recently established a trust through which significant sums of money will be contributed to programs directed toward the short- and long-term improvement of the economic status of all the peoples of South Africa.

The programs initiated by Norton throughout its 24 years in South Africa have demonstrably widened the opportunities for blacks. There is obviously much that still must be done, but we can only do it if we are there.

EXHIBIT II B

NORTON IN SOUTH AFRICA—EXCERPT FROM RESPONSE 1974, A SUPPLEMENT ON SOCIAL PROGRAMS TO THE NORTON CO. ANNUAL REPORT

Because of the current high focus on multinationals in South Africa, we feel committed to comment on our business there. Norton Co. has been market-

ing its products in South Africa since 1907 and established a manufacturing facility in Isando (near Johannesburg) in 1950. Every responsible leader in South Africa is concerned for the economic, social, and educational improvement for blacks, particularly as they are linked to the role played by multinational firms in their country.

Last year we touched upon some of the programs Norton has instituted throughout its 24 years there. Much has been done by way of widening opportunities for blacks and obviously much more will be done. We asked our South African managing director, Mr. Ian J. Hetherington to summarize the situation and the following is an unedited report of his comments:

"If we approach the task of informing our shareholders and employees about our activities in South Africa with some diffidence, it is not because we are ashamed of our record. Rather it is because we do not wish it to be implied that we believe we are perfect nor that we seek any publicity for what we have done and are doing. We are doing things because they are worth doing and not to build favorable 'public images'. Nevertheless we recognize that our shareholders and employees have a right to know and we trust that you will accept our report in that spirit."

In South Africa there is very considerable unemployment and underemployment amongst blacks, many of whom exist as subsistence farmers at best. In such an environment we have a responsibility to do our utmost to provide more jobs. We have therefore set ourselves objectives both to increase the numbers of our employees and to provide all our employees, and particularly the lower paid ones, with a rising standard of living. During 1974 we opened a new factory at Ladysmith, a border area adjacent to the KwaZulu Homeland. We have moved into this new facility three of our old factories, which we have now closed. This expansion, together with growth at our other plants, has enabled us to provide jobs for about 170 more black employees than we had at the beginning of 1974—more than a 20 percent increase.

Our move to a border area was not done with the objective of securing lower cost labor. At our new Ladysmith factory we are paying on the same wage scale as at our long-established handtool plant at Germiston. In our handtool division,, minimum wages increased during 1974 by 23½ percent and average wages increased by 32½ percent, At our abrasive plant in Isando, our wage levels have been higher than normal for many years and minimum and average wages increased by 32½ percent. At our abrasive plant in Isando, increases were significantly above both the rise in the cost of living and the rates of increase granted to higher paid employees. In addition, considerable improvements were made to minimum pension levels, long-service leave entitlements and holiday bonus payments. Our strong growth during 1974 enabled us to offer promotion opportunities to our black employees.

Apart from our responsibilities to our own employees, we also recognize our responsibilities to the society in which we operate. Through the (South African) Norton Group Development Trust Fund we have been using the skills we have developed in our group to meet the objectives of the trust fund, which are as follows: "To assist in the economic and social development of the peoples of South Africa and South-West Africa by:

(i) Fostering the creation of job opportunities for those who are unemployed or underemployed;

(ii) Enhancing the educational and training facilities available to enable all to reach the full potential of their abilities;

(iii) Encouraging improvements in working and living conditions;

(iv) Supporting such other bodies as are striving for similar objectives.

Our 1974 activities have included arranging training courses and responding to a number of requests from black businessmen and homeland governments for assistance towards their own economic development plans.

We have set ourselves ambitious goals and we intend to maintain the growth and profitability of our group as the foundation from which we can achieve our goals."

COMMENDATION OF WITNESS

Senator CLARK. Thank you very much. I particularly found the latter part of your statement of interest. I think there have been some positive proposals, particularly at the very end about American busi-

ness getting together and taking a look at this as a group and trying to set some standards. It is a very, very practical and I think a very meaningful thing to do.

COMMITTEE RESISTANCE TO COMPANIES

I don't know how this committee could work with you to help you start that. But we certainly would want to encourage you. Based on reading that part of your testimony earlier, I have instructed the staff to see if there are any practical ways that our committee could assist. I don't think it is a question of law. I think it is a question of these companies, as you suggest, themselves forming and trying to find some practical way as a group because you all have a similar kind of problem.

On the one hand, you want to continue to do business and on the other hand, I think it is true that you are universally opposed to the apartheid system. You have made a very strong statement saying that you are very much opposed to it. I think if there is any way that as many as possible of the 300 investors or so could, they should get together and look at this problem commonly.

My own feeling is something I think our own Government should encourage and try to carry out ourselves, either the State Department or the White House or someone. I don't mean in just this administration, I mean in any administration. In fact, we did have some testimony, I think, from Professor Marcum last week suggesting that it would be a good idea for the administration, this administration or the next administration, to really call everybody in and sit down together and see where we are now, where we have gone and where we could go to improve the situation so we do get some kind of standard.

I think it would be an important beginning. We are prepared to help in any way we can to help you carry out any ideas or proposals that you may have. We will have some questions later. Did you want to comment?

Mr. GREEN. No.

Thank you very much.

Senator CLARK. We are going to hear next from A. A. Cunningham, vice president of General Motors and general manager, General Motors Overseas Operations Division.

STATEMENT OF A. A. CUNNINGHAM, VICE PRESIDENT, GENERAL MOTORS, GENERAL MANAGER, GENERAL MOTORS OVERSEAS OPERATIONS DIVISION

Mr. CUNNINGHAM. Mr. Chairman, and members of the Senate Subcommittee on African Affairs. My name is Alex A. Cunningham. I am a vice president of General Motors Corp., and general manager of its overseas operations division. The division is responsible for the manufacture, assembly, and distribution of General Motors products outside North America.

We appreciate the opportunity to appear before the subcommittee today to discuss the activities of our subsidiary in South Africa. We

share the concerns you have expressed over the recent events in southern Africa. We hope that positive efforts by the governments and concerned citizens here and in southern Africa will contribute to the peaceful resolution of these serious concerns.

We have filed a comprehensive statement for the record of these hearings. I would like to summarize briefly that statement now.

GMSA OPERATIONS

General Motors South African (Pty.) Ltd. [GMSA], a wholly owned subsidiary of the corporation, has operated continuously in the Port Elizabeth area since 1926. Today, General Motors South Africa employs just over 4,800 people.

Because of Government requirements, at least 64 percent of the content of our automobiles, by weight, must be manufactured or purchased locally if General Motors is to participate competitively in the South African market.

While we have an important operation in South Africa, GMSA is far from the largest company in that country. Moreover, our relative position in the automotive industry has diminished in the past 10 years, partly as a result of the entry of Japanese manufacturers in South Africa.

The Japanese began manufacturing commercial vehicles in South Africa in 1963–64 and passenger cars in late 1969. These manufacturers now account for more than 24 percent of all passenger car sales in that country. U.S. auto companies now account for just over 30 percent of South African sales.

In each of the 34 foreign countries in which it operates, General Motors is subject to all applicable laws, regulations, customs, and values.

This is not to imply that we have any reluctance to export fair and progressive personnel and other business practices to our overseas operations. We firmly believe we have a moral obligation to do so.

However, a corporation operating in a foreign country is subject to local political conditions. For example, the United States rightly insists that foreign companies doing business in this country comply with our laws. The public policy objectives underlying our laws are not necessarily the same as those of the home countries of multinational companies operating in the United States.

But Congress and our law enforcement agencies would certainly not defer to the different policies of foreign governments in regulating business operations in the United States. We sincerely hope all of us could look at the very difficult problems in South Africa in the same kind of perspective.

APARTHEID POLICY IMPACT ON FOREIGN COMPANIES

In the case of South Africa, the most notable and difficult local regulation impacting foreign or guest companies is the Government's policy of apartheid.

Mr. Chairman, this is a policy which General Motors does not endorse. It is a policy which to the extent feasible we are attempting

to change through channels which are open to us and other manufacturers in South Africa.

The apartheid policy is reflected in a number of South African laws. For example, South African laws require separate employee facilities for each race. GMSA, however, has engaged in a program to provide equal dining facilities for all employees.

Under a 1964 job reservation determination, certain automotive industry jobs, including supervisory positions, were reserved for whites. Employers were prohibited from replacing a white employee with a nonwhite, or a colored employee with an African. African is used here as a designation for native blacks. Further, the determination stated that all positions occupied by white or colored employees in October 1964, were thereafter respectively reserved for people of those races.

In 1968, the Government granted GMSA and other auto manufacturers in the Port Elizabeth area a partial exemption from the determination. This allowed us to negotiate informally with the union to secure deviations from the determination that certain jobs be reserved for whites and colored employees.

In fact, so many deviations have been made since 1968, that the provisions of the determination applied to the auto industry have become largely obsolescent. This is one example of how GMSA has worked within South African law to effect changes in the Government policy. We also have spoken on numerous occasions with South African officials.

Top General Motors executives, including Chairman T. A. Murphy, president E. M. Estes, executive vice president R. R. Jensen and three former chairman, have met several times with South African Government officials, including Prime Minister Vorster, to urge changes consistent with a policy of equal opportunity.

Most recently, we reminded Mr. Vorster that although we have been able to move considerably in the direction of equal opportunity for our employees without interference, we feel strongly that legislative action is needed in South Africa in the immediate future to support that position. My predecessor and I have both voiced General Motors views to South African officials. We will continue to use every opportunity to make our views known.

GMSA EMPLOYMENT PRACTICES

I would like to turn now to a more specific discussion of the employment practices of General Motors South African.

To the extent possible, General Motors South African follows a program of equal opportunity for all employees, regardless of race. As you will note in the charts contained in my oral and record statements, there are employees at General Motors South African—white, colored, and African—who are in the same job classification receiving equal pay.

In hiring new employees it is the policy of GMSA that a job be filled by the best qualified eligible applicant. When jobs are filled from within GMSA, seniority is the prime consideration if all other factors are equal.

I would also like to point out that when economic downturns necessitate releasing General Motors employees—as has been the case in the recent past—such reductions are carried out strictly according to seniority in the particular job category, without regard to race.

The composition of GMSA's work force as of August 31, was 46 percent white, 41 percent colored and 13 percent African. There were 58 colored and three African salaried employees. Eleven of the colored employees are foremen. The others hold jobs such as plant patrolman, training instructor, and drafting detailer. The three salaried Africans are employed as a printing clerk, an industrial nurse and a personnel officer.

An indication of the progress GMSA has made in providing job opportunities for nonwhites can be seen by comparing the number of nonwhite salaried employees today, 50, with the 8 nonwhites on the salaried staff only 4 years ago. In 1968, GMSA had no nonwhite salaried employees.

GENERAL MOTORS SOUTH AFRICAN HOURLY EMPLOYMENT BY WORK GRADE

	October 1972, number of employees			August 1976, number of employees		
	White	Coloured	African	White	Coloured	African
Grade:						
1		146	196		174	91
2	3	233	98	1	185	111
3	2	326	110		136	40
4	32	486	99	9	437	197
5	5	267	24	19	178	59
6	35	107	5	19	328	71
7	50	46	4	25	76	15
8	139	173	5	48	220	20
9	268	55	10	176	163	19
10	446			229	45	6
11	92			334	12	1
12				129		
Total	1,072	1,839	551	989	1,954	630

In the semiskilled work grades, 6 through 9, which includes such jobs as welders, repairmen and cost analysts, the number of colored and African employees has more than doubled from 405 in 1972 to 912 today. A primary personnel goal of GMSA is to promote as many nonwhites as possible into the higher work grades. We feel we have made significant progress toward this goal.

The compensation policies of General Motors South African call for equal pay, regardless of race, for all employees with comparable seniority who do similar work and are in the same job classification.

Minimum starting wage rates for the automobile industry were established by the Port Elizabeth Industrial Council—a voluntary association of area automotive employers, a white union and a colored one—which negotiates the collective agreements applying to member companies.

GMSA pays hourly rates above the council minimums for employees in grades 1 through 4—the grades in which a large number of Africans are employed. It must be remembered that the African and colored employees in the four lower work grades, in general, begin their General Motors employment completely untrained and sometimes illiterate. Typically, this would be their first industrial job.

As a result of our progressive policies, on the average GMSA African employees are paid 81 percent more than the overall South African wage, colored employees are paid 42 percent more, and whites receive 11 percent more.

AVERAGE MONTHLY COMPENSATION HOURLY AND SALARIED EMPLOYEES

	Whites	Coloureds	Africans
General Motors South African	$595	$240	$208
Average South African manufacturing	631	165	133
Overall South African	534	169	115

In addition to the above compensation, Africans receive certain subsidized services such as transportation. These subsidies are funded through levies on employers based on the number of Africans they employ. Today GMSA pays into the subsidy fund at the approximate rate of $24,000 per year.

Wages and salaries, of course, are only a part of GMSA compensation costs. Fringe benefits offered by GMSA are among the best in the country.

For example, all employees at General Motors South African, regardless of race, are covered under the same comprehensive employee benefit program. GMSA led the way in providing a single program with equal benefits for all employees.

It also was one of the first employers in South Africa to extend the benefits of its medical plan to cover the registered dependents of employees and retirees. Currently, nearly 6,000 dependents of colored and African employees are covered by this plan.

One of the primary obstacles to more advanced utilization or promotion of African and colored employees is a prevailing low level of education of such individuals. Many of our African employees and their families obtain much of their education as a result of GMSA's presence in South Africa.

GMSA instituted a plan in 1973 under which it pays the cost of the prescribed books and school fees for all children of African employees attending Government primary and high schools.

GMSA conducts a number of inplant training programs to train new employees and prepare current employees for advancement.

Nearly 120 colored and African employees have completed a presupervisory training program in the last 5 years and now are in supervisory positions.

More than 400 colored and African employees have attended technical and nontechnical classes under GMSA's tuition refund plan.

GMSA conducts a basic literacy training program during paid working hours, in GMSA facilities, taught by GMSA employees.

General Motors believes its employment, benefit and training programs provide assurance of continuing improvement in the economic status of the employees of General Motors South African. While economic improvements are necessary, we also believe that upgrading of living conditions is equally important.

To assist in this area, General Motors South African has initiated an employee housing assistance program to encourage homeowner-

ship by many colored and African people, both employees and non-employees. The program provides, for example, loans at subsidized interest rates to cover initial cash deposits for purchases of homes in colored residential areas.

African people living in urban areas recently have been allowed to purchase homes in the urban black townships. General Motors South African has offered a $1.2 million loan to the local government organization representing African people for renewal of a portion of an existing residential area and construction of a new school for African children.

This loan was offered at an interest rate of 5.5 percent—less than one-half of the prevailing rate in South Africa—and would benefit Africans who are not employees of GMSA as well as families of our employees.

In addition to providing housing assistance, General Motors South African has instituted a $475,000 program to provide recreation facilities in colored and African residential areas.

Mr. Chairman, General Motors sincerely believes its operations in South Africa have made significant contributions to the increased economic, educational and social welfare of all its employees as well as other South African people.

GM WITHDRAWAL IMPACT

We cannot, however, expect to make such progress or persuade South African leaders of its need if we do not continue to play a part in the South African economy.

Moreover, the impact of withdrawal by General Motors would be serious in terms of immediate loss of jobs for South Africans of all races. Further, there would be a downstream effect of such a withdrawal leading to a substantial loss of jobs in automotive supply industries and General Motors dealerships.

It could be argued that the adverse effects of an assumed departure from South Africa by General Motors would, in the long run, be mitigated somewhat by the presence of European and Japanese manufacturers, who most certainly would expand operations to fill any void resulting from such a departure.

However, it does not necessarily follow that the leadership role played by GMSA in pursuing progressing personnel policies and educational and social programs for automotive workers would be assumed by producers from other countries who are beyond the reach of U.S. laws, practices, and social values.

We feel it is significant that many colored and African leaders have strongly urged that General Motors South African and other employers in the area continue their operations. Just over 2 years ago, Alphaeus Zulu, who has since retired as the Anglican bishop of Zululand, said:

> No responsible black person in South Africa can ask for a complete pullout by these companies. Our people need work, and South African law says that Africans can only stay in the cities if they are employed. If these companies leave South Africa, many families will be forced to leave their homes in the cities and be sent back to reservations where there is nothing. We do not want our people starved.

All of us are closely watching the day-to-day developments in southern Africa. We certainly realize that far more is at stake than simply the status of a business investment in South Africa.

There are conflicting views as to what posture the United States should take toward the problem in South Africa. While some have advocated withdrawal, there is equal, or more, opinion that internal troubles facing southern Africa can only be compounded—with possibly disastrous consequences—if non-African powers seek to impose solutions from the outside.

It seems to us that this applies equally to efforts, however well meaning, to use American companies doing business in South Africa as a channel for imposing U.S. solutions there.

General Motors believes that its presence in South Africa has been and will continue to be a positive influence for improvement of economic conditions and social well-being of all races there.

GMSA EQUAL OPPORTUNITY ACCOMPLISHMENTS

General Motors is proud of what it has been able to accomplish in the direction of equal opportunity in South Africa. We will continue to move as fast as possible to further that goal.

Continuing our operations there means we also will continue—to the best of our ability—to urge the South African Government to change its racial policies to provide equal opportunity for people of all races.

I have appreciated the opportunity, Mr. Chairman, to appear before your subcommittee today on behalf of General Motors. I would be pleased to respond to any questions you may have.

[Mr. Cunningham's prepared statement follows:]

Prepared Statement of A. A. Cunningham

Mr. Chairman, and members of the Senate Subcommittee on African Affairs. My name is Alex A. Cunningham. I am a vice president of General Motors Corp. and general manager of the GM Overseas Operations Division, GMOO is responsible for the manufacture, assembly and distribution of General Motors products outside North America.

We appreciate the opportunity to appear before the Subcommittee today to discuss the activities of our subsidiary in South Africa. We share the concerns you have expressed over the recent events in southern Africa. We hope that positive efforts by government leaders there, by our own government, and by those of us in the United States and southern Africa who are concerned about these matters will contribute to the peaceful resolution of these serious concerns.

At the outset, I would like to put our South African operations into perspective for the Subcommittee by very briefly outlining the history of our subsidiary there.

General Motors South African (Pty.) Ltd. is a wholly owned subsidiary of the corporation. It was established at Port Elizabeth in 1926 and has operated continuously in South Africa since that time. It began essentially as a marketing organization, selling GM cars and trucks in that country. Today, GM South African employes just over 4,800 people in one automotive assembly and one automotive manufacturing plant at Port Elizabeth and in an engine manufacturing plant in the Port Elizabeth suburb of Aloes. Automotive products of GMSA include passenger cars sold under the Chevrolet name; Bedford, Chevrolet and Isuzu trucks; spark plugs, radiators, batteries, springs and many sheet metal components. Other components are purchased locally or imported into South Africa from other General Motors operations, including those in the United States.

The growth of GMSA over the last 50 years reflects, in part, the increased demand for our automotive products. Also, the South African government

requires—as do many other countries—a minimum locally manufactured content for passenger vehicles sold in that country. This requirement has changed periodically. Today, at least 64 percent of the content of our automobiles, by weight, must be manufactured or purchased locally. The local content must be increased to 66 percent by January 1, 1977, and will continue at that level until 1980. Subsequent requirements have not been announced.

Thus, an auto manufacturer must manufacture and/or purchase a substantial share of its components in South Africa in order to market its products competitively in that country and avoid heavy import duties.

GMSA established a locomotive assembly and testing facility in Aloes in 1974. The South African government, which buys almost all of GMSA's locomotives, gives competitive bidding advantage to a supplier of locomotives on the basis of the local content. General Motors principal competitor for this business also manufactures in South Africa.

GM South African now has a local content of 30 to 35 percent in its locomotives. Because of the related bidding advantage, GMSA is able to compete more effectively in the South African locomotive market because of its assembly and testing operations in that country. The largest part of the non-local components are supplied from our U.S. plants.

In 1975, GMSA sold more than 47,000 cars and trucks, about 13 percent of the total vehicle production in South Africa. In terms of its passenger car sales volume in South Africa for the first seven months of this year, GMSA is the fourth largest automotive manufacturer in that country, ranking behind Volkswagen, Ford and Nissan. We are the third largest seller of commercial vehicles. Toyota and Nissan rank first and second. Our employment ranks second among motor vehicle manufacturers in South Africa.

In terms of its total operations, GMSA would rank 34th in employment and 17th in total assets and sales among the top 100 public industrial companies listed in a 1975 survey by the Johannesburg Financial Mail.

Thus, while we have an important operation in South Africa, GMSA is far from the largest company in that country. Moreover, the relative position of GM and other U.S. manufacturers in the South African automotive industry has declined in the past ten years, partly as a result of the entry of Japanese manufacturers in South Africa. The Japanese started manufacturing commercial vehicles in South Africa in 1963 and began manufacturing automobiles in late 1969. By 1970 these manufacturers had achieved nearly 10 percent of South African automobile sales. Today, the Japanese account for more than 24 percent of all passenger car sales in that country. In comparison, the United States-owned companies which manufacture in South Africa now account for just over 30 percent of vehicle sales there.

In any serious study of the business operations of U.S. manufacturers in foreign countries, one must be mindful of the unique laws, regulations, customs and traditions of those countries. General Motors has assembly, manufacturing, distribution or warehousing operations in 34 countries outside the United States. Most of our operations are wholly-owned subsidiaries.

In each of these 34 nations, General Motors has had to recognize it is essentially a guest of the host country and is subject to all applicable laws, regulation, customs and values of each country. It must respect the sovereign power of each nation; plan GM operations in accordance with the existing economic objectives and priorities of each country; establish effective communication and cooperative relations with all levels of government; and avoid partisan politics.

As a U.S. corporation with operations in these countries, we must recognize that our business is subject to local political conditions. We do not believe that U.S. business concerns can or should become instruments of U.S. diplomacy or U.S. political objectives. These matters are more appropriately dealt with on a government-to-government basis, just as current efforts are being directed in southern Africa.

This is not to imply that we have any reluctance to export fair and progressive personnel and other business practices to our various overseas operations if we feel there is a need to do so. We firmly believe, as do you, that there is a moral obligation for a U.S. manufacturer to press for progress in these respects and, within the framework of the laws and traditions of the host country, to make certain that our employes have the best kinds of jobs that we can provide and to continually upgrade employment practices when needs are perceived.

However, a corporation operating in a foreign country is subject to local political conditions. For example, the Untied States rightly insists that foreign

companies doing business or maintaining operations in this country comply with our laws, whether they be similar or dissimilar to the laws of the foreign companies' home countries. For example, foreign companies operating in U.S. must adhere to the Civil Rights Act of 1964 and the Fair Labor Standards Act.

The public policy objectives that underlie many of our laws, including our labor and industrial relations laws, are not necessarily the same as the policy objectives of the home countries of many major multinational companies that carry on significant business operations in the United States. But Congress and our law enforcement agencies would certainly not defer to the different policies of the home governments of those foreign companies, when it comes to regulating their business operations in the United States. Nor would we look with favor on any of these companies involving themselves in the U.S. political process.

We sincerely hope that all of us could look at the very difficult problems in South Africa in the same kind of perspective.

In the case of South Africa, the most notable and difficult local regulation impacting foreign, or guest, companies is the government's policy of apartheid. This is a policy which General Motors does not endorse. The government of South Africa is well aware of this. It is a policy we have spoken against on many occasions. It is a policy which, to the extent feasible, we are attempting to change through channels open to us and other manufacturers in South Africa.

The apartheid policy is reflected in a number of South African laws.

For example, the Factories Act of 1941 requires employers to provide separate employe facilities for each race.

General Motors South African has been very active in minimizing the effect of these laws as much as possible. For example, there is a South African law which requires separate cafeteria facilities for employes of different races. Several years ago GMSA began a program to provide facilities identical in physical arrangement, decor and menu. More recently, GMSA established a single salaried employes' dining room at the Port Elizabeth assembly plant with unobtrusive dividers in the form of planters. Today for all practical purposes, salaried employes eat in a cafeteria that, in effect, is a single facility; go through a single cafeteria line; and eat meals prepared in the same kitchen from the same menu.

A second law, the Industrial Conciliation Act of 1956, allowed the Minister of Labor to reserve certain work for employes of a specific race.

In October 1964 a Job Reservation Determination was imposed on the motor vehicle industry by the Minister of Labor. Certain jobs—such as supervisory positions and some types of production work—were reserved for whites; employers were prohibited from replacing a white employe with a nonwhite or replacing a Colored employe with an African (a designation for native blacks). All positions occupied by white or Colored employes in October, 1964, were thereafter respectively reserved for white or Colored persons. Also, employers were required to maintain certain minimum percentages of white employes.

The application of the Determination to the plants in the Port Elizabeth area—specifically Ford, GM, Citroen and Volkswagen—was extremely onerous. We and other auto manufactuers who were members of the National Association of Automobile Manufacturers of South Africa in 1968 raised the problem of the need to hire Africans beyond the provisions of the law with the South African Iron, Steel and Allied Industries Union. (The NAAM and the union constitute the Port Elizabeth Industrial Council, a voluntary organization which negotiates wages and other contract matters. Subsequent to 1968, the National Union of Motor Assembly and Rubber Workers of South Africa representing Colored employes became part of the Council.)

The manufacturers explained they wanted relief from reservations on replacement of white and Colored employes. The union agreed and joined with the manufacturers in concluding an agreement designed to provide relief from the Determination. The government subsequently approved this agreement and granted the manufacturers a partial exemption from the Determination.

The 1968 agreement with the trade union reserved specified jobs for white employes but recognized that, in the interests of operational flexibility, deviation from the agreement can be negotiated informally with the union. In fact, so many deviations have been made since the agreement was signed in 1968 that its provisions have become largely obsolescent.

GM's presence in South Africa in no way constitutes endorsement or approval of the philosophies, policies or regulations of the government of South Africa.

To the contrary, General Motors for a number of years has actively been pursuing changes in government employment restrictions. Top General Motors executives, including Chairman T. A. Murphy, President E. M. Estes, Executive Vice President R. R. Jensen and former Chairman F. G. Donner, J. M. Roche, and R. C. Gerstenberg all have visited South Africa. We have expressed to Prime Minister Vorster our concern over such restrictions and urged changes consistent with a policy of equal opportunity. Most recently, we reminded Mr. Vorster that although we have been able to move considerably in the direction of equal opportunity for our employes without interference, we feel strongly that legislative action is needed in South Africa in the immediate future to support that position. I have been in South Africa, and my predecessor spent time there also. Both of us have voiced GM views to South African officials. We will continue to use every opportunity to make our views known and to work for the policy changes we believe are necessary.

With that backgronud, Mr. Chairman, I would like to turn now to a more specific discussion of the practices of GM South African regarding employment and its employes.

To the greatest extent possible, General Motors South African follows a program of equal opportunity for all employes, regardless of race. This concept is adhered to from the initial hiring through training and advancement. It applies to wage increases, retirement, and—when necessary—separations due to business downturns.

In hiring new employes, it is the policy of GMSA that a job be filled by the best qualified eligible applicant. When jobs are filled from within GMSA, seniority is the prime consideration if all other factors are equal.

We would also like to point out that when economic downturns necessitate releasing GM employes—as has been the case in the recent past—such reductions are carried out strictly according to seniority in the particular job category, without regard to race. For example, if GMSA were faced with the situation of releasing a white employe with one year of seniority or an African employe with two years of seniority—assuming both were in the same job category—the white employe with less seniority would be released first.

The composition of GMSA's hourly work force as of August 31 was 27 percent white, 55 percent Colored and 18 percent African. The composition of the total work force was 46 percent white, 41 percent Colored and 13 percent African.

As of August 31, there were 58 Colored and three African salaried employes. Eleven of the Colored employes were foremen. The others held jobs such as plant patrolman, training instructor, and drafting detailer. The three salaried Africans were employed as a printing clerk, an industrial nurse and a personnel officer.

An indication of the progress GMSA has made in providing job opportunities for non-whites can be seen by comparing the number of non-white salaried employes today, 50, with the eight non-whites on the salaried staff only four years ago. In 1968, GMSA had no non-white salaried employes.

GENERAL MOTORS SOUTH AFRICAN HOURLY EMPLOYMENT BY WORK GRADE

	October 1972, number of employees			August 1976, number of employees		
	White	Coloured	African	White	Coloured	African
Grade:						
1		146	196		174	91
2	3	233	98	1	185	111
3	2	326	110		136	40
4	32	486	99	9	437	197
5	5	267	24	19	178	59
6	35	107	5	19	328	71
7	50	46	4	25	76	15
8	139	173	5	48	220	20
9	268	55	10	176	163	19
10	446			229	45	6
11	92			334	12	1
12				129		
Total	1,072	1,839	551	989	1,954	630

In particular, there has been significant movement of Colored and African employes in the semi-skilled grades, 6 through 9, which include such jobs as welders, repairmen and cost analysts. Since 1972, the number has more than doubled from

405 to 912, out of a total of 1,180 semiskilled employes of all races. A primary personnel goal of GMSA is to promote as many non-whites as possible into the higher work grades. We feel we have made significant progress toward this goal.

The compensation policies of GM South African call for equal pay, regardless of race, for all employes with comparable seniority who do similar work and are are in the same job classification.

Minimum starting wage rates for the automobile manufacturing industry were established by the Port Elizabeth Industrial Council—which negotiates the collective agreements applying to member companies. GMSA pays hourly rates above the Council minimums for employes in grades 1 through 4—the grades in which a large number of Africans are employed.

The following table shows GMSA's current average hourly wage rates, by work grade classification and by race:

GENERAL MOTORS SOUTH AFRICAN AVERAGE HOURLY WAGE RATES, BY GRADE

	White	Coloured	African
Work grade:			
1		$0.77	$0.78
2	$0.78	.79	.79
3		.84	.82
4	.93	.91	.89
5	1.04	1.00	.95
6	1.28	1.08	1.07
7	1.24	1.20	1.18
8	1.43	1.36	1.35
9	1.60	1.46	1.46
10	1.96	1.71	1.63
11	2.83	2.25	
12	2.94		

Unlike the practice in the United States, the Port Elizabeth automotive industry wage rates recognize seniority. Thus, employes of all races at comparable job levels can be paid differing rates because of seniority. This influences average wage rates of the three groups of employes in South Africa. The historical development of all industry in South Africa has resulted in whites being at the higher job levels with more seniority than the Colored and African people who entered the work force later.

The difference among the rates for white, Colored and African employes in the same work grade is attributable to the higher seniority of white employes.

It must be remembered that the African and Colored employes in the three lower work grades, in general, begin their GM employment completely untrained and sometimes illiterate. Typically, this would be their first industrial job.

The average monthly rates for GMSA hourly and salaried employes are significantly higher than comparable rates for all workers in South Africa, and—except for white employes—are higher than average South African manufacturing rates. This is shown in the following chart. We would like to emphasize there is a significant difference between GMSA compensation for Africans and their wages and benefits elsewhere in South Africa.

AVERAGE MONTHLY COMPENSATION HOURLY AND SALARIED EMPLOYEES

	Whites	Coloureds	Africans
General Motors South African	$595	$240	$208
Average South African manufacturing	631	165	133
Overall South African	534	169	115

(a) In addition to above compensation, Africans receive certain subsidized services such as transportation. These subsidies are funded through levies on employers based on the number of Africans they employ. Today GMSA pays into the government subsidy fund at the approximate rate of $24,000 per year.

Wages and salaries, of course, are only a part of GMSA's compensation costs. Fringe benefits offered by GMSA are among the best in that country.

For example, all employes at GM South African, regardless of race, are covered under the same comprehensive employe benefit program. The program includes

group life insurance, medical, sickness and accident coverage, retirement plans, overtime and premium payments, an annual vacation and a contractually established year-end-gratuity, which currently averages just over 6 percent of base annual earnings. While other firms in South Africa have benefit programs offering many of the elements of the GM package, GMSA has been among the leaders in providing a single program with equal benefits for all employes.

The medical plan includes dental care and routine physical and eye examinations. GM was one of the first employers in South Africa to extend the benefits of its medical plan to cover the registered dependents of employes and retirees. Currently, nearly 6,000 dependents of Colored and African employes are covered by this plan.

Further, GMSA maintains full-scale medical facilities at all plant locations, with a 16-member full-time medical staff. In addition, GM nurses are assigned to visit employe homes in Colored areas to counsel on health, child care, family planning, nutrition and family budgeting. in 1975, these GM nurses handled more than 700 cases. The government provides similar serivce to African homes.

One of the primary obstacles to more advanced utilization or promotion of African and Colored employes is a prevailing low level of education of such individuals. Many of our African employes and their families obtain much of their education as a result of GHSA's presence in South Africa. As noted earlier, many employes come to us relatively uneducated and obtain training and certain education as a result of their employment. Those who leave our employment to go into non-manufacturing work, such as working in auto repair shops, are able to thus spread GMSA training to other parts of the economy.

GMSA has attempted to overcome the education problem by encouraging children of African employes to remain in school as long as possible. GMSA instituted a plan in 1973 under which it pays the cost of the prescribed books and school fees for all children of African employes attending government primary and high schools.

African employes receive the money for books and fees at the beginning of the school year, rather than after completion of the term. Again, other companies operating in South Africa have followed GM's lead in this area. Many other GM overseas subsidiaries offer similar assistance, but this "up-front" payment is unique to GM South African.

Programs such as these are seen as highly important for the long-term educational benefit for African and Colored employes. Additionally, GMSA conducts a number of in-plant training programs to train new employes and prepare current employes for advancement.

A Pre-Supervisory Training Program is offered to Colored and African employes of leadership potential. Nearly 120 Colored and African employes who have completed the program in the last five years now are in supervisory positions.

More than 400 Colored and African employes have attended technical and non-technical classes under GMSA's tuition refund plan. Again, they receive advance payment for tuition and books in order to minimize or eliminate out-of-pocket expenses.

Colored and African employes also are encouraged to participate in GMSA's Basic Literacy Training Program, designed to provide basic skills in reading, writing and arithmetic. GM South African is the only GM subsidiary providing such a program. Literacy training classes are held during paid working hours in GMSA facilities and are taught by GMSA employes.

Under GM South African's Technical Training Plan, Colored employes may participate, without charge, in classes conducted by personnel from the local technical college. While there are no technical colleges in the area that are open to Africans, vocational training now is available to them in the urban areas.

The GMSA Service Division operates a fully equipped mobile training unit, which provides instruction to dealer service personnel in sheet metal repair, spray painting and general mechanical maintenance. More than 600 Colored and African personnel have been trained throughout South Africa and neighboring countries. In January, 1974, GMSA began a repair shop assistant course for non-white personnel at the company's Technical Center in Port Elizabeth.

General Motors believes its employment, benefit and training programs provide assurance of continuing improvement in the economic status of the employes of GM South African. While economic improvements are necessary, we also believe that upgrading of living conditions is equally important.

To assist in this area, General Motors South African is operating an employe housing assistance program to encourage home ownership by many Colored and African people, both employes and non-employes.

The program provides loans at subsidized interest rates to cover initial cash deposits for purchases of homes in Colored residential areas. It also provides loans for employes of all races for home improvements, as well as major loans to local authorities to build more Colored and African housing than available national funds allow. While GMSA employes have preference for such loans, other African and Colored persons who are not employes also are granted loans under the GMSA-sponsored program.

We are confident that these efforts have upgraded the living conditions of many Coloreds and Africans. They would not have been able to obtain many of these improvements in their living conditions if GMSA had not made them possible.

Through a recent change in government policy, African people living in urban areas now are able to purchase homes in the urban black townships. GM South African has offered a $1.2 million loan to the local government organization representing African people for renewal of a portion of an existing residential area and construction of a new school for African children. This loan was offered at an interest rate of 5.5 percent—less than half the prevailing rate in South Africa—and would benefit Africans who are not employes of GMSA as well as families of our employes.

In addition to providing housing assistance, General Motors South African has initiated a $475,000 program to add to existing recreational facilities in Colored and African residential areas. These facilities are available for the free use of all area residents. New recreational facilities also are under construction.

We sincerely believe that our operations in South Africa have made significant contributions to the increased economic, educational and social welfare of all our employes and many other South African people.

A proposal was put before our stockholders in 1972 urging that GM withdraw and cease all operations in South Africa. Sponsors of the proposals felt that such a withdrawal would be a decisive statement against the apartheid policies practiced in South Africa. The proposal was defeated by our stockholders.

It was our feeling at that time, and it remains our feeling today, that the social and economic changes we believe are so necessary in South Africa cannot be furthered if General Motors simply withdraws from the scene. As mentioned earlier, we have engaged in continuing discussions with South African officials, putting forth our feelings on the need for change in the South African laws. We believe that we have made some progress, but we recognize much more progress is needed.

We cannot, however, expect to make such progress or persuade South African leaders of the needed changes if we do not continue to play a part in the South African economy.

Moreover, the impact of withdrawal by General Motors would be serious in terms of the immediate loss of jobs for South Africans of all races and severe economic dislocation that the 4,800 employes of GMSA would suffer. Further, there would be a down-stream effect of such a withdrawal leading to a substantial loss of jobs in the automotive supply industries and GM dealerships.

It could be argued that the adverse effects of an assumed departure from South Africa by General Motors would, in the long run, be mitigated somewhat by the presence of European and Japanese manufacturers, who most certainly would expand operations to fill any void resulting from such a departure.

However, it does not necessarily follow that the leadership role played by GMSA in pursuing progressive personnel policies and educational and social programs for automotive workers would be assumed by producers from other countries who are beyond the reach of U.S. laws, practices and social values.

We feel it is significant that many Colored and African leaders, as well as leaders in the United States, have strongly urged that General Motors South African and other employers in the area continue their operations. Just over two years ago, Alphaeus Zulu, who has since retired as an Anglican bishop of Zululand, said:

"No responsible black person in South Africa can ask for a complete pullout by these companies. Our people need work, and South African law says that Africans can only stay in the cities if they are employed. If these companies leave South Africa, many families will be forced to leave their homes in the cities and be sent back to reservations where there is nothing. We do not want our people starved."

We also think it is significant that Vernon E. Jordan, Jr., executive director of the National Urban League, had these comments last month at the Urban League's 66th Annual Conference:

"The Black South Africans I met were unequivocable in their opinion that American corporations should not withdraw from South Africa. They told me they need the jobs these corporations bring."

All of us are closely watching the day-to-day developments as they unfold in southern Africa. We certainly realize that far more is at stake than simply the status of a business investment in South Africa.

There are conflicting views as to what posture the United States should take toward the problem in South Africa. While some have advocated withdrawal, there is a large body of opinion which holds that internal troubles facing southern African can only be compounded—with possibly disastrous consequences—if non-African powers seek to impose solutions from the outside. It seems to us that this applies equally to efforts, however well meaning, to use American companies doing business in South Africa as a channel for imposing U.S. solutions there.

General Motors believes that its presence in South Africa has been and will continue to be a positive influence for improvement of economic conditions and social well-being of all races there. General Motors is proud of what it has been able to accomplish in the direction of equal opportunity in South Africa, and will continue to move as fast as possible to further that goal.

Continuing our operations there means we also will continue—to the best of our ability—to urge the South African government to change its policies to provide equal opportunity for people of all races. We recognize, of course, that the governments and the people of that country themselves ultimately must find solutions to the terribly difficult problems they face.

I have appreciated the opportunity, Mr. Chairman, to appear before your Subcommittee today on behalf of General Motors. I would be pleased to respond to any questions you may have.

INVESTMENT ENCOURAGEMENT, DISCOURAGEMENT OBJECTIVITY

Senator CLARK. Thank you very much. We appreciate the statements. I am going to say at the outset something I said before in these hearings, I hope I don't go with this subject of whether or not we ought to encourage or discourage investment with lack of objectivity.

I guess it is hard to be objective. I have really not made up my own mind whether it is a good or bad idea to encourage a lot more investment in South Africa or to try to discourage or to take the two radical sides of the issue on the one hand, saying we ought not to have more investment, deny tax credits, whatever, embargoes, or really to encourage companies to go in there full blast and do everything you can in terms of heavier investment, or someplace in between the two.

I don't personally have any doubt that the more investment that goes into that country, the more job opportunities there are. It seems to me that follows. To the degree that you have more investment, you almost surely help to raise the standard of living, as, I think, all three of you have testified to that. It seems to me it is pretty difficult to argue the more money that goes in, the more job opportunities, the more manufacturing, the more mining exists.

The higher standard of living almost certainly ought to be for every group: whites, coloreds, and blacks. The more difficult question for me is one that no one seems to want to discuss.

ECONOMIC IMPACT ON POLITICAL, SOCIAL SYSTEM

That is, how does that impact on the political and social system? Or to put it another way, man does not live by bread alone. It seems to me you could make the case that economic improvements do occur as a

result of these investments, but if you could also make the case that it gives great strength and support to a political system with which one finds themselves, or a company or corporation find themselves in total opposition that it could on the one hand give economic support for the people in that area but at the same time give great political support to the apartheid system, a system which you all have agreed you find horrible and abominable

I don't know what the answer to that is, but it seems to me that is the important thing, not whether it improves the standard of living. That is not the question. It does improve the standard of living in my judgment. It does improve job opportunities. It does bring about a higher standard of living.

I think it is hard to make comparisons with other countries. But to try to expand on that a little, I have no doubt in my own mind—I am not comparing Nazi Germany with South Africa. I am using it as another example to prove the same kind of point.

I never met anyone who studied German society, economic politics in the 1930's, 1940's from the time Hitler came into power, who didn't say that the German people were a good deal better off economically under that system.

He brought stimulus to the German economy. He built the autobahns. He did all the things that puts people back to work. It was a much better place to live economically in the thirties under the Nazi system.

But there is the political aspect, the human aspect; namely, what happened in that political system while the economy got better and better and the standard of living went higher and higher?

I guess that is the question that really bothers me. I am just opening it up to you to see if you have responses. Yes, the standard of living is improved, but does it at the same time give support, encouragement to the continuation of separate development, what we all agree is not a good political and social trend.

That seems to me to be the question. I don't know. Do any of you want to comment on that at all?

Mr. Funk. Yes, Senator. I would like to address that problem very briefly, if I could.

First of all, without denigrating in any way what Mr. Green and Mr. Cunningham have stated, and I fully agree with it, their companies are in fact, very progressive employers within South Africa.

I think that we are missing the point which you have highlighted and pinpointed right here, and that is the fact that this continuing investment has had many and varied effects. It has increased the standard of living of the blacks. But at the same time what has been happening is that there is an increased consciousness on the part of the black workers of the necessity for them to have some voice in their own affairs.

This consciousness has been raised to the level now where we have entered into what I perceive at least to be an almost revolutionary, if not revolutionary situation.

In other words, time is growing very, very short. I would stress and emphasize again that in my view, the key to this whole thing with respect to what American companies and the American Government and, hopefully, the American trade union movement can do, the key to this whole situation is to find some mechanism whereby the American

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employers and, indeed, the Western European employers and, by extension hopefully through example, the South African employer can start to deal directly with trade unions, honest-to-God trade unions, which are truly representative of the blacks, and which are perceived to be representative of the blacks interests by the blacks themselves.

I would point out that I think it was in early 1973, the U.S. State Department published a booklet advising U.S. employers as they came into South Africa on certain things they could do.

Again, I think that policy was reemphasized by another paper in late 1974. But one of the things that it did not stress, which I feel should be stressed, is the fact that employers can deal directly with legitimate—I will withdraw that phrase because under the terms of South African law they are not legitimate—but with truly representative black unions.

I think the key to this whole situation is to deal with these emerging black unions.

Senator CLARK. I understand your point. I do want to come back to that. That was the first question I wanted to ask you. I wonder if either of the others of you have any comment on this question, just to phrase it in the briefest form you can?

I guess the statement that man does not live by bread alone, so the standard of living is improved, isn't there a great danger at the same time that you are supporting the very system you hate, politically or socially? Do you care to comment?

Mr. GREEN. I don't think for a minute we can presume that the business community or, perhaps, even our Government can take initial responsibility and can impact significantly on the efforts of the blacks to break off their shackles.

It is they and the South Africans who must change this trend and move away from separate development and racial discrimination. However, one of the problems in Africa today is that the opposition to separate development and apartheid that is promoted and is a cornerstone of the African Government is divided.

There are liberal wings within the African Government. There are churchmen. There are educators. There are English and there are elements of the business community which strongly oppose it.

But they are segmented. They are not impacting on this issue itself. The business community can only play a part in this total picture as I conceive it. It does seem to me that if the business community can work in unison, both toward raising the economic level of the black and also toward introducing things, principally education, which will strengthen their efforts and their ability to throw off their shackles, that it will have made a significant contribution towards a change in the social and economic climate which much change if business can prosper there.

Hence, the reason for proposing that business get together and through channels that are available to it, begin to work toward what are common objectives of business or, at least American business, which cannot really tolerate or support this system.

Senator CLARK. Thank you.

Mr. CUNNINGHAM. Mr. Chairman, we feel we can influence change from within with our progressive policies. Whereas, if we are not there, we could do nothing. We also feel that it is not just wages and salaries.

It is the programs that we have initiated for the general social benefit of all of the races that we employ, as well as structural changes within the area in which we are working that have made significant progress in equalization of job opportunities and facilities, and so on.

With the kind of example that we are setting, we really believe that we have had an influence on the way other companies are doing business. This thing is bound to expand on its own.

Senator CLARK. I understand what you are saying. I think you put it very succinctly that you are by example, trying to improve and, within these restrictions, you try to provide equal pay for equal jobs and so forth. I guess what I am saying is I am not sure what impact that has on the major question; that is, the political question, the system of apartheid itself.

It doesn't seem to me that during this period of foreign investment that apartheid, American or other foreign investment or even investment of their own companies which have also improved the standard of living of black Africans—and the South African investment has raised that standard of living.

But it doesn't seem to me that any of those have brought us closer to what we would all agree is a more just society. Indeed, it seems to me that during the time of investment it has really gotten worse, not not necessarily because of investment.

I don't think you can say, "Here are two factors and they go hand in hand." But we didn't have an apartheid situation in 1948. Certainly we had discrimination. But this system of a tighter and tighter society has come in a period when we have had more and more investment.

I don't think those are the only two factors to consider. There are lots of other things. But I am just not sure. Even if one looks at the progress that you feel that you have made, Mr. Cunningham, in the charts and so forth and that you show between 1972 and 1973 the kind of progress that you made, it is still always within the apartheid system or the education and training is always within the apartheid system.

Even today, according to your chart of August 1976, in the 3 highest categories, 10, 11, and 12, you have almost 700 whites; you have 7 blacks. I am not saying you could do better. I don't know. I am not in a position to judge that at the moment.

I am saying I am convinced the reason you haven't done better is because of the law, because of the system, because of apartheid; because, in fact white labor unions wouldn't let you do any better than that in those high artisan categories, skilled categories.

It seems to me, try as hard as you might, I agree with Mr. Cunningham, there is a lot more that can be done. Still, it is all going to be done within this system which itself is just not going to let equality occur as long as it exists as a system. If one could be convinced, it seems to me this is really what is being argued by Mr. Green, if one could be convinced that greater economic opportunity in education and training itself will bring about an opportunity for greater political and social change then it seems to me might have a case.

Let us get on to other, more specific questions.

U.S. VS. SOUTH AFRICAN COMPANIES RECORD

I guess one other general question I wanted to ask Mr. Green and Mr. Cunningham, do you feel that American investment, on the whole, has done a better job of giving workers opportunities, improving their standard of living—going strictly to the economic arguments, now—than South African companies themselves? Have we really done any better than the South Africans themselves have done?

Mr. CUNNINGHAM. Mr. Chairman, I can't speak about other companies because I am not familiar with what they do. But I can say from my personal observations and from my visit to South Africa that our wage structure, our social benefits, our training programs, all seem to be in the forefront of anything that is being done in industry in South Africa.

In answer to another question that you posed, we believe that training, raising the educational level, bringing people up from illiteracy is part of the job that needs to be done to accomplish the social changes; to be able to get people who are trained in parliamentary procedure, in contract structure and so on, which we are doing.

I think Mr. Funk would agree that the administration and organization of union activities is complicated and requires at least a moderate amount of education and training. We are endeavoring to do that. We think it is a healthy thing to do.

APARTHEID OBSTACLE

Senator CLARK. I think that is good. I think it is admirable. The only caveat, from my point of view, is you can educate and train enormous numbers of people in high-skilled jobs and never be able to place them there because you can't get them in categories 10, 11, and 12, in any significant numbers. The system is not going to let you do it, with the best intentions you have.

If you had the best training program, what I am saying is, I don't think the system allows you to take highly trained, educated blacks if you had an enormous number ready for categories 10, 11, and 12, I don't think they would let you put them in there.

I think the system is against you for allowing that to occur. You have put one in category 11, and six in category 10; none in category 12, or in your salaried jobs, which I want to ask you about later. I assume you got very few in that.

Again, not because you don't want to or wouldn't like to or couldn't train people to do it, but the system just won't let you do it. That is one of the things we want to find out. I don't think the system would let you do it, will it?

Mr. CUNNINGHAM. I think it could be argued that the system had prevented that for some time. But I think it could be also argued that we have had success in stepping up, stage by stage, to get more and more people into higher and higher job categories, and more and more people in the salaried and supervising positions. This must be a progressive step.

Senator CLARK. I agree, but the progress is so slow, according to this chart, you had no one in categories 10, 11, and 12 in October 1972; and 4 years later, you have seven people in it. That is going from

nothing to seven. But you have 700, 692, to be exact, whites in those areas, 57 coloreds, seven blacks. I agree that going from nothing to seven is some progress, but it is still almost meaningless or in the case of salaried employees—let me look at your figures here.

Your figures on salaried and hourly employees as best I can read it, indicates there are really only 3 Africans on salary out of a total of 1,300 salaried employees. Is that accurate?

Mr. CUNNINGHAM. That is accurate, but you have to understand, Mr. Chairman, that these employees have only recently entered the work force and that the white employees have been there hereditarily and have been progressing up through the organization.

Senator CLARK. I understand your problems. I really am not accusing the company of anything. I am just saying it seems to me that 3 blacks out of 1,300 salaried employees in all of General Motors could be called progress, but I don't see it as being all that meaningful or 7 in the top 3 categories out of over 700 total, I don't know. At that rate, it seems to me it takes a very long time to really get people in high skilled, salary, positions. I am just questioning whether the apartheid system and the white labor unions are really going to let that happen to any large degree. We can come back to that. Did you want to answer, Mr. Green?

Mr. GREEN. Yes.

Senator CLARK. That is, whether or not American companies really have a better record than South African companies.

Mr. GREEN. I have two comments I would like to make on that score, Senator. There are 300 American companies down there. I would suspect the social consciousness of the local managers covers the spectrum. I would also suspect because those local managers are under performance pressures—many of them are very small companies, many of the managers are there for a very short period of time, that the social consciousness and the related performance of these individual companies is determined in large measure by the urging and support that they get from their home offices to whom they are responsible.

Senator CLARK. Sure.

Mr. GREEN. So, it would be my feeling that the performance of the American companies may not be far different from the South African companies. The other comment I would like to make is to bring to your attention, a recent report by the Transvaal Chamber Industries. I think you may have seen that report. This is a report of the South African Chamber of Industries.

It is a very impressive document because it is South African business leaders pointing to the problems that they have, listing at length the restrictive legislation, making specific suggestions as to changes that should be made in the civil rights of the blacks, all of which are pressures being exerted within the country to reverse the trend toward separate development and racial discrimination.

It is admirable. I think when you see something like that being promoted by a group of South African businessmen, and you have an idea of what American businessmen do as a group, perhaps the two can begin to muster the economic strength of the industrial and commercial forces in the community and make the South African Government listen.

I think there are real possibilities in relationship to your original questions about economic conditions and upgrading of the workers.

Senator CLARK. I think it is a good suggestion. I frankly haven't seen the Transvaal report. Maybe we can get a copy of the conclusions and put it in the record at this point because it sounds interesting.

[The information referred to follows:]

There is no page 34 - this is the only original copy I have
Jenny Hetherington 9/4/96

NORTON COMPANY (PTY.) LTD.

cc RC 456

August 30 1976

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ANSWD

Mr I G Murray
Executive Director
Transvaal Chamber of Industries
P O Box 4581
JOHANNESBURG
2000

COPY

Dear Mr Murray

BANTU UNREST
Yours of August 20

I am writing to congratulate you, the Chamber and the special sub-committee on the Memorandum dated July 29, submitted to the Prime Minister.

It is an outstanding document - honest, straightforward and constructive. I certainly hope that it meets with a similar response.

Depending on the reaction, I would like to see, in due course, a similar Memorandum submitted by the Chamber concerning the situation of the Black business community, in the homelands as well as in the urban areas. The situation is touched on in your Memorandum, but there is much more that needs to be brought in to the open. The fact is that the free enterprise system is not encouraged and is not prospering in any homeland. As businessmen, it must be of real concern for our own futures as well as those of Black businessmen.

With kind regards.

Yours sincerely

I J HETHERINGTON
MANAGING DIRECTOR

/ep

Transvaal Chamber of Industries
Transvaalse Kamer van Nywerhede

Affiliated to the South African Federated Chamber of Industries
Geaffilieer met die Suid-Afrikaanse Gefedereerde Kamer van Nywerhede

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Ingelyfde Vereniging sonder winsoogmerk

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Ref
Verw

Date
Datum 20th August, 1976.

To: ALL MEMBERS.

Dear Sirs,

BANTU UNREST

Further to the circular letter issued to members on August 6th, 1976 under the signature of the President, Mr. E. Hausmann, the Chamber has much pleasure in enclosing a copy of the memorandum which was handed to the Prime Minister on July 29th, 1976.

This memorandum covers a wide spectrum of the position of the Bantu in our economy, not only in the light of current events, but also in the long term. It is the culmination of a number of years' close thinking within this Chamber which has been crystallized into a well thought-out document by a specially appointed sub-committee of the Chamber's Labour/Industrial Planning Committee.

The memorandum was released to the Press yesterday and it has already received widespread publicity.

Yours faithfully,

I.G. MURRAY
EXECUTIVE DIRECTOR

Encl.
MER/so.

L J. HETHERINGTON
Managing Director
NORTON COMPANY (PTY.) LTD.
REC: 23 AUG 1976
Answered .....

STRICTLY CONFIDENTIAL

MEMORANDUM TO THE HONOURABLE, B.J. VORSTER, M.P.
PRIME MINISTER

BLACK UNREST

INTRODUCTION

The Transvaal Chamber of Industries, which is the largest regional chamber in the country and the most representative of organised employers in the Witwatersrand, has long been concerned over the simmering discontent of the urbanised Blacks which has once again boiled over into widespread riots, loss of life, destruction of property and loss of production since the 16th June, 1976.

Our Chamber represents the core of South African industry ranging from small factories to some of the largest in South Africa. As industrialists and as businessmen, regardless of individual political opinions, we have a deep and vested interest not only in the economy of the country but also in the work force without which our factories cannot operate and without the efforts of which the economy of the country as a whole would collapse.

The Chamber believes that the only way in which a stable and contented work force can be established and maintained is to look at all the legitimate grievances which workers and their families have and to do whatever is practical to overcome such grievances. The members of the Chamber will always do what they can within the work environment to eliminate any possible discontent, but this will be to no avail if the broad basis of discontent is not first removed.

In the six chapters hereunder we have endeavoured to examine one by one the major factors which we think merit consideration by government. We believe that the constructive practical suggestions which we make under each heading will go a long way towards eliminating legitimate grievances on the part of the Blacks to the benefit of the country and all its inhabitants.

2 / .....

In making recommendations we recognise that progress must be balanced to prevent our very efforts at improvement becoming the seeds of discontent. Increases in wages mean nothing if these are unable to produce a greater quality of life for the Black. Education without its ultimate fulfilment in participation in the administration of the Blacks will bring disillusionment. Training without the opportunity of access to better jobs will be the cause of bitter frustration. The concern of industry is that the right path for future harmony between the races should be taken and followed at a steady, unfaltering and balanced pace.

The thought most basic to our submission is the need to ensure a stable, contented urbanised Black community in our metropolitan and industrialised areas. In this context a stable "middle class" is most important.

The emergence of a "middle class" with western-type materialistic needs and ambitions has already occurred in these areas. The mature family-orientated urban Black already places the stability of his household uppermost, and is more interested in his pay-packet than in politics.

Our prime point of departure should be that this "middle class" is not weakened by frustration and indignity. Only by having this most responsible section of the urban Black on our side can the Whites of South Africa be assured of containing on a long-term basis the irresponsible economic and political ambitions of those Blacks who are influenced against their own real interests from within and without our borders.

To achieve this ideal we regard it as essential to recognise the permanence of the urban Black in contrast to viewing him as a temporary sojourner.

Furthermore, it is believed that the Blacks' desire for a form of civic self-government in the townships must be recognised. The government's recognition of the Homeland leaders as the only "true" and representative leaders of the Black people, including the urban blacks, is in conflict with this desire of the Blacks.

It has long been the view of the Chamber that the present system under which the Black employee is paid a low wage and then protected by a variety of subsidies and levies upon employers should be phased out. In order to give the Black employee the dignity and self respect to which he is entitled his wages should be adequate for him to pay for the services which he utilises. These subsidies and levies occur in the fields of, inter alia, house rental, transport and local administration and reference to this principle will be found from time to time in this memorandum. It may also be noted that payment of such adequate wages will go a long way towards countering the criticisms from beyond our borders regarding the rewards given to the Black in South Africa.

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1. THE PERMANENCY OF THE URBAN BLACK

It is important to note that the creation of large permanent Black townships near all our cities together with the provisions of section 10 of the Bantu (Urban Areas) Consolidation Act, No. 25 of 1945 have contributed in no small measure to the feeling of permanence of the Blacks who live in these townships.

The present population of black people in the townships are in various stages of permanency but many are the second, third and even fourth generation of residents in the townships. They, therefore, have as much adherence to their forebears' homelands as the Whites have to the countries of their forebear. These Blacks consider themselves as South Africans and not homelanders; they have indeed strong unwillingness to be considered anything but Black South Africans.

Intermarriage in the townships among persons from various tribal backgrounds has also contributed to breaking down tribal loyalties thereby creating a more homogeneous population which has also influenced the urban Black dweller in considering himself a citizen of South Africa and not affiliated or attached to a Homeland.

The Government has encouraged industry to train Blacks both within industry and through outside permanent training facilities so that Blacks can fill the enormous gap in the manpower requirements of industry which could never be filled by the relatively small White population of the country. This has also contributed to the concept of permanency which the black urban dweller has developed.

The Blacks see themselves as permanent urban dwellers and industry needs the Blacks on a permanent basis. Black urban dwellers should, therefore, be regarded as being permanent and be officially recognised as such.

It is proposed that black satellite towns be given full municipal status exactly the same as white towns. It may well be possible, without the need for any elaborate legislation, to achieve such a status through suitable amendment to Section 10 of the Bantu (Urban Areas) Consolidation Act No. 25 of 1945 and the Urban Bantu Councils Act No.79 of 1961 Section 4, providing for

Urban Bantu Councils. It is further proposed that municipal citizenship be granted to qualified permanent black residents. Such municipal citizenship will qualify the citizen to vote in elections for town councillors and will bestow on him the right to land ownership, with all the consequences of civic rights and responsibilities. The elected council must have full power and authority for the handling of its own finances, i.e. income from rating and other revenues and the control of expenditure, as well as the raising of loans. Ultimate jurisdiction over these black municipalities should be the Provincial Administrations in exactly the same way as with white municipalities. At the outset, the total land within a black township would be transferred from administration board ownership to the black municipality which would then have the right to sell stands in the town to the black citizens for residential or business purposes, thereby raising capital funds for the purpose of providing amenities for the town. The sale, valuation and rating of these properties would follow normal practice in the white areas and the black citizen owners would be required to pay rates in the usual way. Unsold properties would be rented on an economic basis until sold and such rental would provide also for a contribution to the "rates fund" of the municipality.

As far as the Bantu Affairs Administration Boards are concerned their functions will have to be changed in relation to the urban townships so that they will only retain those known local authority functions which are provided for in the Bantu Affairs Administration Act, No. 45 of 1971. Naturally, provision will have to be made to cover the period of transition from control by a Bantu Affairs Administration Board to control by the black municipality.

The municipal citizen with full property rights in that town coupled with full control and responsibilities by the town's elected representative, establishes a channel of communication for the normal settlement of problems resulting from their living conditions, in exactly the same way as the white municipal citizen communicates to higher authority within his town, even to that of appeal on the level of the Provincial Administration.

Amenities provided by the Central Government, e.g. education, railways, postal services, water and power, police etc., would be catered for in exactly the same way as it is in white municipalities.

In this case, however, as the black municipal citizen has no vote in the affairs of Central Government, the respective government departments should set up Advisory Councils consisting of representatives of the black municipal councils. These Advisory Committees would assist the government departments concerned in the development and operation of these departments' services insofar as the black municipal areas are affected.

2. GREATER INVOLVEMENT OF BLACKS IN CIVIC AFFAIRS

It is generally accepted that the outbreak of violence in Soweto was not expected by the West Rand Administration Board and came as a complete surprise in spite of the fact that Soweto Urban Bantu Council has been in existence for several years for the purpose inter alia of communicating with the responsible department on all matters concerning the welfare and aspirations of the Black inhabitants of the townships.

It is important to examine in the first instance whether the Bantu Councils are, from the Black man's point of view effective, and what steps could be taken to make improvements in order to make them acceptable as an effective mouthpiece of the inhabitants of the townships.

Under these circumstances it is important to note that -

a) the South African traditional way of life has until now made communication between Black and White, verbally or otherwise very difficult.

b) Elected urban Bantu leaders realise that their views and advice, which in many instances can only be channelled to officials very much down the ladder, do not reach the policy makers and that they therefore feel frustrated and that they serve little purpose.

This frustration is aggravated by the fact that the elected representatives on Urban Councils, Schoolboards etc. are no longer seen in the eyes of the electorate

as effective champions of the Black population. These representatives themselves realise that in the eyes of the Blacks they are seen more or less as rubber stamps of government thinking, if not as government stooges.

c) The Government's recognition of the Homeland leaders as the only "true" and representative leaders of the Black people, including the urban dwellers is in conflict with the urban Blacks' desire for a form of civic self government in the townships.

d) Laws and regulations concerning the life of the township's inhabitants have so far been designed and imposed by the Whites without prior consultation with the people concerned and this has helped to undermine the status of the members of the Bantu Councils.

In the light of these shortcomings it is the Chamber's opinion that the Urban Bantu Councils can serve a useful medium between Black and White, between the law and regulation makers and the affected population, provided that -

a) real power of local Government be given to the Urban Bantu Councils;

b) these councils have access to top officials in order to put their views and those whom they represent to highest authority.

c) representation on the Bantu Affairs Administration boards be granted to a Bantu Urban Councillor. This will prove to the people that the Whites are serious in establishing channels of meaningful consultation and greater involvement with authority.

When this greater involvement is granted to the Blacks they will have to accept a greater sense of responsibility in all matters concerning themselves. Community services such as care for the aged,

sick and handicapped, creches, nursery schools, sports and leisure time activities and many others are at present largely provided, financed and administered by White organisations.

While it is acknowledged that the Whites' help cannot be withdrawn by a stroke of the pen without causing hardships and social problems, Blacks must be trained for the purpose of taking over these services eventually. When this has been achieved it will help to quash arguments of paternalism and it will imbue in the Black a larger measure of civic pride and arouse a greater sense of responsibility.

3. THE LIVING ENVIRONMENT OF THE URBAN BLACK

3.1 Housing Requirements

Probably no single aspect of the urban Black's environment is more crucial to his stability than is housing. The Chamber must stress that, in circumstances of national shortage of capital funds, the priority to be given to adequate finance for urban Black housing should be second only to national defence needs. No other expenditure of available funds is likely to reap the dividends that will flow in the national interest from the provision of sufficient urban Black housing.

The Chamber desires to put forward its recommendations on this subject under three headings, viz :

1. Overcrowding
2. Undifferentiated housing
3. Home ownership

3.1.1 Overcrowding

The Chamber acknowledges that the authorities have for the past thirty years struggled against a vast housing backlog and that apart from slum clearance and essential resettlement programmes, the natural population growth has aggravated the problem. We are deeply concerned, however, that instead of an improvement, the

advent of the Bantu Affairs Administration Boards, with the attendant administrative and financial problems, has if anything delayed house building programmes. The Chamber is informed that waiting lists of six or seven years are normal in Soweto; we know that newly-marrieds who applied for homes then now have families of three or more children, that such families are either still lodging with parents or, worse still, are split among various relatives.

The standard four-roomed house is barely large enough for one family unit. It is usual for such houses to be occupied by two families, with often one or more unmarried adult lodgers in addition. There is a real danger of the supposedly orderly post-war townships degenerating into new slums.

Reference is made in Annexure A to this document under the heading "Delinquents, Hooligans, et al" to the break-down of family life and discipline. This problem is to an important extent due to overcrowded housing.

Adequate funds must be made available for urban Black housing, and forward planning to ensure that sites are available (for both housing schemes and private building) must be adequate and shorn of delays and red-tape.

3.1.2 Undifferentiated Housing

The crises of the post-war years led to the development of standardised houses to provide minimum facilities at minimum cost to the state, and which could be let at a rental compatible with the then levels of income of the Blacks. Such houses were probably reasonably in accordance with the basic aspirations of the Blacks at the time. But these standards are still being used today, twenty or more years later.

The income of the urban Black has increased rapidly, particularly in recent years. Despite the impact of inflation, the available disposable income of most individuals is far beyond what it used to be. The members of the Transvaal Chamber of Industries, who are all important employers of Black labour, are distressed at the lack of avenues that exist for the constructive spending of this disposable income. Far too much is spent on liquor, and it is noticeable

that abuse of liquor is very often found amongst those employees who, through their very sense of responsibility, have achieved large increases in wages.

In the western world a major avenue of expenditure of a growing income lies in consumer durables - furniture, appliances, hobbies, etc. or in home improvements. Faced with the limitations of the "standardised" house, the urban Black who has moved beyond the lower wage levels has no place to keep such possessions and little incentive to improve his home.

It is almost axiomatic that people live in groups according to their means and status. The urban Black, whether he be a graduate or a street sweeper, is allocated his house by the Administration Board and obliged to live there. With the housing standardised as it is, this makes little difference to the individual's circumstances within the home, but it does directly affect his aspirations and his dignity. He is deeply conscious that his children are forced to mix with others of a lower social strata, which can only serve to negate the example set by the parents.

It is therefore essential and urgent that provision be made, not only for areas (as opposed to individual sites amongst standardised houses) where more affluent Blacks can erect homes to their own designs, but also for areas of rented housing of a higher standard. The exact amenities to be included in such houses should be established by survey among the Blacks but would certainly include more and larger rooms, ceilings and electricity and possibly also a bathroom, verandah and garage. The rent would clearly be higher; sight should not be lost of the fact that whereas Whites in this country spend around 30% of their salaries on housing, the standard Bantu township house costs less than 10% of the wages of an average Black worker in industry.

The sociological advantages of a man's pride in his home cannot be overstressed.

3.1.3 Home Ownership

Under this heading the Chamber, accepting the practical problems of converting existing townships to freehold, includes leasehold ownership.

The Chamber is deeply concerned at the delays in putting into practice the announced thirty-year leasehold scheme. The Chamber also expresses its reservations about the acceptability to the black mind of a term as short as thirty years, even though it realises that the practical implications may not be very important. Of even greater concern is the hesitation created in the black mind by the much-publicised homeland citizenship requirement. As matters stand at present, thinking urban Blacks see the scheme as "a fraud designed to deprive the Blacks of their birthright".

The Chamber is aware that, in addition to other avenues of finance, the building society movement is anxious to play its part in the Black home ownership scheme, given the removal of present legal obstacles.

Reference has been made previously to constructive spending of disposable income, home improvements, and a man's pride in his home. Only under a broadly accepted home ownership scheme can all these ideals come to their full right, and can the goal of a stable, contented "middle class" be fully realised.

3.2 Township Amenities

Whilst the Chamber would not wish to see capital funds diverted to any great extent from the provision of housing as such, it would be failing its duty if it were not to draw attention to the vast backlog that exists in basic amenities in the townships that have developed so rapidly.

The more urgent of these would appear to be :-

a) electrical reticulation of all premises;

b) street lighting - in which respect highmast lighting has proved itself as the most suitable counter to criminals and vandals;

c) tarred roads, and

d) storm water drainage, the lack of both of which accentuate the present squalor of the townships and motivate against any growth of civic pride;

e) provision of telephones, both public and in private houses;

f) Proper Shopping facilities : the township resident is dissatisfied that he cannot buy locally at competitive prices and the indications are that the basic reason for this lies in present restrictive regulations, notably the "one-man business" principle.

g) additional sports and recreation facilities, including halls for civic, cultural and recreational activities;

h) providing assistance for private organisations to run a larger number of creches and youth clubs.

It should be stressed that in providing the last two items, the schemes should be introduced with the active involvement of the township residents.

3.3 Transport

The pressures that exist on the train and bus services are well-known. What must be stressed in the context of this memorandum is the need to realise the connection between the daily difficulties of the individual commuter and the policy of resettlement of the Blacks in townships remote from the city centres and the industrial areas. Thus problems which in other environments could be accepted as a part of life become linked in the mind of the Black man with the treatment he receives from THE WHITE.

Thus the provision of a fully adequate rapid transit system between all parts of the townships and all areas of major employment becomes a crucial part of ensuring a stable, contented feeling among the urban Black.

Overcrowding in the trains serving the townships of the Witwatersrand is a chronic cause of complaint, and unfortunately the situation is exploited by hooligans and criminals. Apart from this factor, and the fact that many residential areas are remote from the stations, the impression gained by the Chamber is that the service provided by the S.A. Railways is basically good.

The same cannot be said for the majority of bus services. The main carrier in this Chamber's area is Putco and the quality of service and general attitude towards passengers displayed by this organisation has deteriorated in recent times. These developments are watched with growing dismay by the Transvaal Chamber of Industries.

The risk of bus boycotts has presented a real danger to industrial peace in the urban areas since the Putco boycott of the late 1950's. We believe that new widespread boycotts in June, 1976 were avoided only by close co-operation between government and administration board officials, the private sector and the police.

Only the provision of an adequate, efficient and regular bus service in all areas where train services are impractical will permanently remove these risks. Such bus service must at all times respect the dignity of its passengers at the hands of its employees, both Black and White.

The whole question of adequate public transport must also be linked to the principle, enunciated elsewhere, that the Black be paid an adequate wage to enable him to pay an economic price for the services which he utilises.

4. EDUCATION AND TRAINING

4.1 Education

The subject of education is of such importance that this Chamber's drafting committee has seen fit to enclose, as annexure A, the full working document prepared for its consideration. Under the circumstances, only a very brief outline of motivation and recommendations appears below.

It is predicted that in the year 2000 the population of South Africa will be 60 million, of which Whites will be some 6 million. By that year South Africa will be well on the way to maturity as an Industrial Nation, and at least 60% of the work force will need to be at or above the skilled worker level. Obviously Whites alone will not be able to fulfil the demands of this situation. Blacks will have to play their part. An educated person is not created overnight and some 20 - 25 years are needed to establish a sufficient number of educated and trained personnel able to undertake the skilled jobs that our economy will require.

The Chamber must stress that the priority to be given to adequate finance for education and particularly Black education is such that it should follow closely after defence and urban Black housing.

There are not enough schools for the Blacks in the urban areas. It is in the highly industrialised metropolitan areas that the greatest need for Blacks at the artisan and technician level will arise and it seems sensible that emphasis should be placed on improving this deficiency as soon as possible.

The scarcity of teachers is no less than the deficiency of schools. This deficiency is aggravated by salary scales which fail to attract Blacks to the teaching profession. Furthermore, teachers are often lured into the more lucrative fields thus compounding the problem.

In areas where urban school population is sizeable large non-ethnic training colleges should be set up. The teacher is the key to the whole educational situation and these training facilities

should be given priority so that the numbers and the quality of teachers can be improved.

There is a need for greatly expanded technical training particularly in the urban areas.

At the same time the removal of the barriers to Blacks entering the skilled job level is necessary to absorb these trainees and make the training meaningful in terms of manpower utilisation.

The Chamber therefore recommends a programme to -

1. Devote progressively more money to Black education;

2. Build more schools, add classrooms to those which are not at their maximum, and renovate and upgrade the schools which are below standard;

3. Phase in free compulsory education to age 16 for Blacks at the earliest possible date, which should include free school books and materials;

4. Encourage pupils to go to at least form III and bright students to go on to form V, assisted by bursaries to cover such expenses as are not part of the free education;

5. Provide adequate teacher training, improve salaries and generally make the profession more attractive.

4.2 TRAINING AND JOB OPPORTUNITIES

TRAINING

In its many submissions to government over the past decade organised industry has repeatedly drawn government's attention to the need for training of all potential sources of manpower and has laid particular stress upon the need for training non-Whites to cater for those positions in our economy previously held by Whites but for which Whites in sufficient numbers are no longer available.

We must commend the government's real concern with the technical training needs of Blacks as evidenced by its actions arising from the Van Zyl Commission's report. The setting up of technical training centres for secondary school pupils, the establishment of public centres and the tax incentives to encourage in-plant training are belated steps in the right direction. In particular, however, secondary school technical training facilities are, we know, inadequate to meet the enrolment applications of young Blacks who are anxious to benefit from the practical courses offered.

It is not proposed to describe here the present scope of training, its inadequacies and its shortcomings since these are wellknown to all. Nevertheless, it is a fact that the training facilities which have been created for all races are unco-ordinated and in many instances overlap unnecessarily because of being spread amongst too many government departments and governing bodies. Additionally in the case of Blacks, training is subject to unrealistic opportunity and promotional ceilings and limitations.

Opinions expressed by educated and responsible Blacks who were consulted after the recent Soweto (and other) disturbances revealed that Blacks are genuinely frustrated by the lack of training and particularly the limitations on the levels of training which inhibit their reaching their full potential earning powers. Such earnings could be derived from a greater contribution by themselves of skilled work if they are allowed to train up to the level of their individual capabilities. They see the upper limit barriers as a design by the Whites to keep them in a perpetual state of semi-poverty.

If the goals of the economic development programme are to be realistically aspired to, we cannot ignore the essential factor of labour in their achievement. The creation of sufficient skills in this field is paramount since comparisons in the industrial context have shown that one skilled man is more productive than three semi-skilled workers.

It is a sine-qua-non that training and acquired skills must be matched by the requirements for such skills in the economy; since, unless this is so, the arts and crafts learned become dulled by non-usage and the individual becomes depressed and resentful of the lack of job opportunities where his acquired skills could enable him to improve his standard of living as well as his self realisation as a human being.

JOB OPPORTUNITIES

In trying to ensure the maintenance of law and order with a fuller and more satisfying life for all at the major point of contact between the races we confine ourselves here to the urban Black in his expectations and frustrations in the work situation, both in regard to advancement and to labour movement restriction.

As the Black sees it (according to several whose views were sought after the disturbances) the average Black cannot understand why he as a permanent and traditional member of the South African community has to be restricted to only unskilled and semi-skilled work in one prescribed Bantu administration board area in which skilled jobs are open, whilst the Government conducts an intensive immigration campaign to bring in foreign Whites and gives them unrestricted freedom of movement and job opportunities in these industries in which Blacks have served for years at a subservient level. They feel that after years of assisting artisans in the motor, building, engineering and other industries they have so familiarised themselves with procedures that with only a relatively short period of further training they could adequately perform the required work up to the normal standards of craftsmanship requirement.

They cite as proof of this that not only do Blacks meet production standards as to quality and quantity in other countries but do so also in South Africa in building in urban Bantu townships and in artisan activities in Homeland areas where training to artisan standards in various industries have proved their ability to perform at these levels.

The Blacks point out that whilst they are not permitted to be trained to higher standards in South Africa the other non-White groups can legally practice their skills in certain parts of South Africa and yet in the Blacks' case in areas where Blacks are predominant, shortages are met by White immigration. They see this too as a ploy by Whites to keep them subjugated even at the expense of an improved economy and inflation due to paying to other groups "scarcity - value" wages far in excess of the value of work produced or contributions made.

Resentment also arises when young men who have - at the cost of enormous sacrifice by their parents and at the cost of outstanding application by themselves under most unfavourable conditions - succeeded in achieving matriculation standard only to find that jobs anywhere near comparable with those offered to Whites or Coloureds and Indians, are seldom open to them. Where they are so employed there is invariably a wage differential applied against them - they are expected to be eternally grateful for even being employed.

Training, whether by education to matriculation level or in any other sphere can only be a waste of time and money if not fully utilised in job opportunities. The frustrations and resentments of such persons who are denied suitable job opportunities can readily be appreciated but are seen only to be a matter of concern when such frustrations are violently demonstrated under whatever pretext.

In the PWV area the Government's 2,5 - 1 Black/White ratio in industry effectively nullifies job opportunities since, when a trained person can perform a job for which a suitable White cannot be recruited the employment ratio has still to be maintained. The answer from an economic, profit motivated point of view is usually to increase mechanisation and automation sometimes to that point where over capitalisation occurs and Blacks' unemployment increases. Job reservation as applied at all levels, e.g. under section 77 of the Industrial Conciliation Act or under Industrial Council Agreements are bars to Bantu job opportunities.

This system is riddled with exemptions which then add further frustrations and resentments. An example of the above is where, under exemption, a Black is employed as a painter, welder, rigger, lift driver,

plasterer, etc, he may perform the job for some years in a highly efficient manner. However, as soon as a White - no matter how undesirable or less efficient, presents himself for employment and claims the necessary skills or trade union membership the Black is under threat of being discharged to make the job available to the White. It is highly regrettable that the Black has then to default on personal commitments and to lower his living standards.

It would appear that job opportunities in the main are in the labourer, unskilled or semi-skilled occupations unless the Black concerned has had the exceptional opportunity of post-matriculation education. Where in-plant operator training has taken place and Blacks are employed in the higher levels of semi-skilled work it would appear that, in the eyes of the urban trade unions and the government, these people have reached the highest point to which they can aspire. If we are to believe this to be acceptable to them we are deluding ourselves to our ultimate downfall since the rising generation is no longer prepared to accept the limitations which its parents accepted as a penalty for having been born without a white skin.

We ignore this situation at our peril and attention must urgently be directed to the realisation of the emergence of a new generation of Blacks with new aspirations and the determination to achieve them.

It must be agreed that there is in fact no real conflict of interest between the races. The findings of the Human Sciences Research Council on South Africa's future (skilled) manpower needs between now and the next 20 years show that our economic growth will be severely restricted to the detriment of all sections of our population.

RECOMMENDATION

1. As a first priority, a central co-ordinated manpower planning policy must be designed to overcome the present lack of a coherent flexible national manpower policy. This should then be able to be established as an overall master plan for the future, since out of such logical planning and its implementation will come not only the removal of existing frustrations on the part of non-Whites, but also a complete policy covering manpower utilisation for all groups of our population. Hopefully those Whites who think that their livelihood is endangered by Black progress will be made to realise that their fears are groundless following such logical planning.

2. That immediate steps be taken to widen the skills-training aspects and the removal of severely restricted overall usage of Blacks in order that the necessary full utilisation of the available manpower of the country can be mobilised, both in the fight against the present inflation and in meeting the known future needs in the South African economy for the required skilled manpower upon which the economic growth of the country will depend.

5. THE ECONOMIC POSITION OF THE BLACK WORKER

Approximately seventy per cent of the economically active persons in South Africa are Black. The economic situation of the Black worker and his contribution to the national economy are, therefore, of vital importance to the country as a whole.

The Black workers of the Republic are almost entirely confined to the labouring and semi-skilled categories of work. There is evidence to show that, in the Witwatersrand area, less than 7% of the Black work force falls in the skilled and supervisory categories. The Black urban dwellers' wages are therefore in the bottom brackets, and there is evidence to show that his movement upwards in the occupational ladder is pathetically slow - in fact, probably not more than about one per cent improvement per annum. This is far too slow to meet the manpower needs of the economy and the aspirations of the Black worker.

A developing country depends to an ever increasing extent on skilled technicians and supervisors, rather than labourers. The inability to move our Black workers up the occupational ladder fast enough is very serious indeed; a major hurdle being lack of education. The outcome is an ever increasing shortage of skills in the higher occupational levels, and a glut of unskilled and semi-skilled workers at the bottom. This exerts pressures in the labour market which force industry to pay to the scarce skilled categories unrealistically high rewards which are totally unrelated to existing wage agreements. The reverse is true at the bottom of the ladder - an over supply of labour leads to wages which are close to the already low laid down minima. While industry in the Transvaal has, on average, more than doubled labourers' wages since 1973 it has not succeeded in narrowing the wage gap because it has had to over-pay the skilled White workers. Indeed, the gap between average White and average Black wages has increased in real terms in the last three years.

With the best will in the world, industry will not succeed in closing this gap if it is shackled by the lateral immobility of labour imposed by restrictive legislation and by the vertical block caused by the very poor state of Black education and training. The position is exacerbated by job reservation in one form or another, caused by the attitude of some trade unions.

There is widespread pay discrimination between Blacks and Whites doing the same kind of work, for example, doctors, teachers, nurses, policemen, etc. Whilst these difficulties exist in both the private and public sectors those in the public sector have unfortunately been widely publicised and have provided a whip for our overseas critics to beat us with. The existing pay differences for work of the same skill-content are indefensible and should receive immediate attention. The Black community has expressed indignation and anger over this position which is, in the Chamber's opinion, a sensitiser for future unrest.

The problems outlined above are the main reasons for the unacceptable degree of poverty among the bulk of the urban Black population. It is surely unnecessary to dwell on the socio/political dangers inherent in this situation but the Chamber must point out that it is virtually impossible to motivate workers who live in poverty, and who see no hope of progressing to better jobs. The implications for increased productivity are serious.

The poverty of the Black community has been worsened by unemployment and this is aggravated during periods of a stagnant or declining economy.

The entirely different tax laws applicable to the Black population vis-a-vis those applicable to other racial groups are known to be a major cause of discontent.

The Chamber is aware that a Departmental Committee is presently examining this legislation and we urge that the Committee give serious consideration to eliminating difficulties in tax levels between Blacks and other races as far as possible. This would not only remove a cause of discontent but also a situation which is used by South Africa's enemies overseas.

6. THE LEGAL POSITION OF THE URBAN BLACKS

The index to Butterworths Statutes of the Republic of South Africa lists 89 Acts of Parliament as dealing specifically with Blacks. In addition, there are numerous other Statutes which contain specific provisions relating to Blacks and there is a multiplicity of rules, regulations, by-laws, proclamations and directives dealing specifically with Blacks and emanating from Central Government Government Departments,

6.1 Discriminatory Legislation

When one considers the broad picture of legislation and administration in relation to Blacks in South Africa dispassionately one is immediately struck by the cardinal fact that, since the Whites arrived in South Africa, they have always drawn a dividing line between the Blacks and all other racial groups in South Africa. The varied reasons need not concern us here. The fact of the matter is that the Black is regarded differently, treated differently and legislated for differently from other racial groups. In other words, there is discrimination between Blacks and others, but it is noteworthy that such discrimination is not always against the Black and is even in some instances distinctly in favour of the Black.
It has also to be borne in mind that some legislative and administrative measures which are now regarded as being discriminatory against the Blacks were originally intended to protect the Blacks.

In fact, so many laws and regulations relating to Blacks have been promulgated over the years that it is almost impossible for Blacks to know the law. An urgent revision and consolidation of such legislation is, therefore, necessary.

In considering this matter cognisance will have to be taken of the fact that such a very high percentage of urban Blacks has been arrested and sentenced for comparatively trivial offences that there is very little social stigma attached to arrest, or even to a period of imprisonment.

We list in Annexure B the more obvious legislative provisions which discriminate against Blacks and which we believe contribute in no small measure to their feelings of discontent.

We urgently recommend that these statutory provisions be reconsidered with a view to alleviating wherever possible the feeling in the Blacks that they are being discriminated against.

6.1 Discriminatory Legislation

When one considers the broad picture of legislation and administration in relation to Blacks in South Africa dispassionately one is immediately struck by the cardinal fact that, since the Whites arrived in South Africa, they have always drawn a dividing line between the Blacks and all other racial groups in South Africa. The varied reasons need not concern us here. The fact of the matter is that the Black is regarded differently, treated differently and legislated for differently from other racial groups. In other words, there is discrimination between Blacks and others, but it is noteworthy that such discrimination is not always against the Black and is even in some instances distinctly in favour of the Black.
It has also to be borne in mind that some legislative and administrative measures which are now regarded as being discriminatory against the Blacks were originally intended to protect the Blacks.

In fact, so many laws and regulations relating to Blacks have been promulgated over the years that it is almost impossible for Blacks to know the law. An urgent revision and consolidation of such legislation is, therefore, necessary.

In considering this matter cognisance will have to be taken of the fact that such a very high percentage of urban Blacks has been arrested and sentenced for comparatively trivial offences that there is very little social stigma attached to arrest, or even to a period of imprisonment.

We list in Annexure B the more obvious legislative provisions which discriminate against Blacks and which we believe contribute in no small measure to their feelings of discontent.

We urgently recommend that these statutory provisions be reconsidered with a view to alleviating wherever possible the feeling in the Blacks that they are being discriminated against.

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Regrettably, officialdom of all kinds, both White and Black, particularly at the lower levels, frequently falls lamentably short of the ideal stated above and this creates enormous resentment which is compounded when Blacks experience such treatment day after day, wherever they come into contact with officials.

The present legislative provisions are administered by a multiplicity of agencies, often at widely scattered points. This involves Blacks in a lot of travel, time wasting, frustration and loss of income.

The Chamber recommends that urgent attention be given to all these matters.

6.4 Security, Law and Order

Government policies and the legislation which flows from government policies have had a particularly unfortunate effect in that they have created the very conditions which were not intended, namely an increasing number of illegal residents in the townships, an increasing number of can't works and won't works and an increasing number of bored youths who cannot attend school, cannot or will not work and hence turn readily to crime.

There is no way in which accurate estimates can be made of the actual numbers involved but it is generally acknowledged that the numbers of criminals, tsotsis, vagrants and other persons on the fringe of becoming criminals is very substantial indeed in townships such as Soweto.

The size of a township such as Soweto and the sheer numbers of inhabitants makes it extremely difficult for Administration Board officials and the South African police to exercise adequate control to ensure that only those persons are there who are legally permitted to be there and that the lawful residents are adequately protected.

Progress has been made by the Government in establishing police stations inside major Bantu townships such as Soweto and some of these police stations are already being staffed almost entirely by Black police.

The administration boards in many instances have their own "police" force in order to supplement the work being done by the South African Police, but there is considerable criticism of the efficiency of such administration board "police" who, in any event, are not properly equipped to maintain law and order. The Blacks themselves have at various times tried to obtain greater protection and security for themselves by establishing vigilante groups and kgotlas.

The Chamber recommends that the State must give serious consideration to devising ways and means of assuring the protection of Blacks and the maintenance of law and order in the townships at all points and not merely at the places where large crowds congregate.

ANNEXURE A

EDUCATION

It is predicted that in the year 2000 the population of South Africa will be 60 million of which Whites will be some 6 million. By that year South Africa will be well on the way to maturity as an Industrial Nation, and at least 60% of the work force will need to be at or above the skilled worker level. Obviously Whites alone will not be able to fulfil the demands of this situation. Blacks will have to play their part. The school-goers of to-day will be the mature workers of the year 2000, and accordingly it is obvious that the progress of South Africa into a mature industrialised country must be planned now already. An educated person is not created overnight and some 20 - 25 years are needed to establish a sufficient number of educated and trained personnel able to undertake the skilled jobs that our economy will require.

Industry is concerned about this matter. This concern has been shown by industry, amongst others, putting its hand in its pocket to make donations to such organisations as TEACH - which builds schools - or The Bantu Education Foundation of Isando - which pledges money to teacher training and school bursaries. In fact, the Chamber must stress that the priority to be given to adequate finance for education and particularly Bantu education is such that it should follow closely after defence and urban Bantu housing.

Problem areas which need to be considered are the following :-

SCHOOLS

It is common knowledge that there are not enough schools for the Blacks in the urban areas.

According to 1975 figures, there are 5838 schools housing 1,37 million pupils in the Republic and 6735 schools housing 2,36 million pupils in the Homelands, and these have increased from the year 1972 at an average of 5% p.a. However, there is a shortage of, for example, some 800 classrooms in Soweto and 270 in Tembisa. This often necessitates double shifts in the existing classrooms.

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If it is planned to introduce compulsory education on a gradual basis as the Chamber recommends, then more schools have to be built - at first primary and then secondary schools. The need to lower the number of pupils per classroom from the present formula of :-

Lower primary	50	per classroom
Higher primary	125	" "
Junior Secondary	250	" "

is urgent for even at this ratio the deficiency is almost 100%. Many schools lack electricity and modern school aids are not easily usable.

Secondary education in South Africa other than the Homelands lags behind the Homelands and this may well be due to urban environment providing too many temptations to go out and work rather than stay at school. It may also be due to Government policy placing emphasis on secondary schools being sited in the Homelands. However, it is in the highly industrialised metropolitan areas that the greatest need for Blacks at the artisan and technician level will be needed and it seems sensible that emphasis should be placed on improving this deficiency as soon as possible.

TEACHERS

The scarcity of teachers is no less than the deficiency of schools and if the present figure of 75% attendance at primary schools is raised to 90% or more and the ratio of pupils per teacher is to be brought to at least 1 per 45 from the present level of 1 per 60, then the effort to train these teachers needs to be made now.

In 1975 (outside the Homelands) there was a shortage of 4943 qualified teachers in primary schools and 241 in secondary schools.

At many schools there is a lack of teacher posts approved by the department and aid is obtained from School Board Funds or Education Trusts to underwrite the salaries of extra teachers which though needed are supernumerary to the posts approved by the Department.

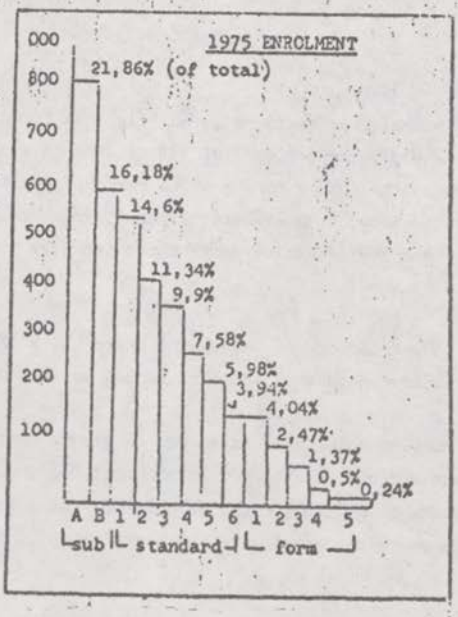
Teacher salaries are low by commercial and industrial standards and teachers are often lured into the more lucrative fields, thus compounding the problem.

TEACHER TRAINING

The cost of training to become a teacher is frequently beyond the means of the aspirants who have to seek aid by way of bursaries. When these bursaries are forthcoming, the problem of getting into a training college is often insuperable. A major increase in training colleges is needed. Nearly all teacher training colleges are in the Homelands and are organised on an Ethnic basis. This creates some hardships and in areas where urban school population is sizeable large non-Ethnic training colleges should be set up. The teacher is the key to the whole educational situation and these training facilities should be given priority so that the numbers and the quality of teachers can be improved.

ENCOURAGING STUDENTS TO REMAIN AT SCHOOL

Drop-outs from school are a major problem as the following graph shows :-



There are many reasons for this, the most obvious is lack of money to keep the child at school. With the cost of keeping a pupil at primary school being R43 p.a., R56 p.a. at higher primary and some R80 p.a. at secondary school, and two or three children per family, this may present a real burden and thus a deterrent to the parents keeping children at school.

The desire of the parent for the pupil to become a wage earner to either contribute to the household or for the pupil to satisfy the material wants he is unable to get from his parents is also a strong motive for discontinuing. Another major factor may be the large classes and poor teachers resulting in pupils feeling unhelped and therefore making poor efforts to study.

Language difficulties due to having to use two languages for study other than their home language to learn subjects such as mathematics, history, geography and science in secondary schools was another obstacle both in the scholars' and the teachers' path, now apparently resolved.

TECHNICAL AND TRADE TRAINING AND EDUCATION

(a) In advanced Technical Education which covers engineering, e.g.

civil engineering technicians
agricultural engineering technicians
survey technicians
Geology technicians
Post Office technicians
Water and Sewage purification technicians

and also paramedical disciplines, e.g.

Health Inspectors
Health Assistants
Public Health Nurses
Medical Lab. Technicians
Radiographers
Physiotherapists

there is a total of 2 colleges - one in the Homelands and one in South Africa.

b) In Secondary Technical Education covering Junior Certificate in woodwork, metalwork, building construction, general mechanics and motor mechanics, there are three colleges in the White areas and two in the Homelands.

c) Trade schools covering training in 15 trades have 2 schools in the White areas and 15 in the Homelands. The high number in the Homelands is explained by the fact that apprenticeship and full artisan status has been accepted in the Homelands.

d) There are also 8 technical secondary schools, four in the Homelands and four in the main urban areas.

From the above one is able to deduce that the facilities for training Blacks is still in the very early stages and much, one can say much much more needs to be done to provide a much greater level of education and training in a class of person greatly needed in the mature industrial status of the Republic in the year 2000.

At the same time the removal of barriers to Blacks entering the skilled job level is necessary to absorb these trainees and make the training meaningful in terms of manpower utilisation.

DELINQUENTS, HOOLIGANS, ET AL

One could not cover completely the problem of education of the Blacks without reference to these people. Whilst there is no factual evidence available to us on the causation of this group, it seems, from discussions with social workers and reference to written works, that these youths are drop-outs from school or for various reasons have never attended school. They are very likely illegitimate with no father nor family interest and hence no family discipline. They have no qualifications for work nor any desire to do so. They are the worst product of a city (urban) environment and prey on the comparatively rich "middle class" Blacks. The problem they pose is the problem of delinquents found in all spheres of life.

The remedy would lie partly in compulsory schooling and normal family life with its concomitant parental discipline, but remedial schools to deal with those groups are probably also necessary. The matter needs investigation and urgent remedial action which in the short term will be of a disciplinary nature.

NECESSARY ACTION

To alleviate the deficiencies described above, it is necessary to embark on a programme to -

1. Devote progressively more money to Black education by continuing expenditure at a rate of 15,42% increase over the current year for a 5 year period which at current money terms would look like the following :-

Year	R.M.
1974	138,8
1975	160,2
1976	184,9
1977	213,4
1978	246,3
1979	284,3
1980	328,1

In this connection it is noteworthy that expenditure on education and particularly on Black education as a percentage of state expenditure is still very low when compared with Western Countries.

2. Build more schools, add classrooms to those which are not at their maximum, and renovate and upgrade the schools which are below standard.

Expenditure on this objective should keep pace with that expounded in item 1 above.

3. Phase in free compulsory education to age 16 for Blacks at the earliest possible date area by area and including free school books and materials. The example set by the Coloured Education Department of instituting compulsory

school attendance in a particular area for all persons of schoolgoing age who live within a specified number of miles of a school appears to be an eminently praiseworthy one which could well be followed by the Department of Bantu Education.

4. Encourage pupils to go to at least Form III and bright students to go on to Form V, by way of bursaries to cover other than straight forward schooling costs which will ultimately be free.

5. Set up a programme for encouraging pupils who reach Form V to train as teachers, especially women.

6. Set up more teacher training bursaries and/or loans.

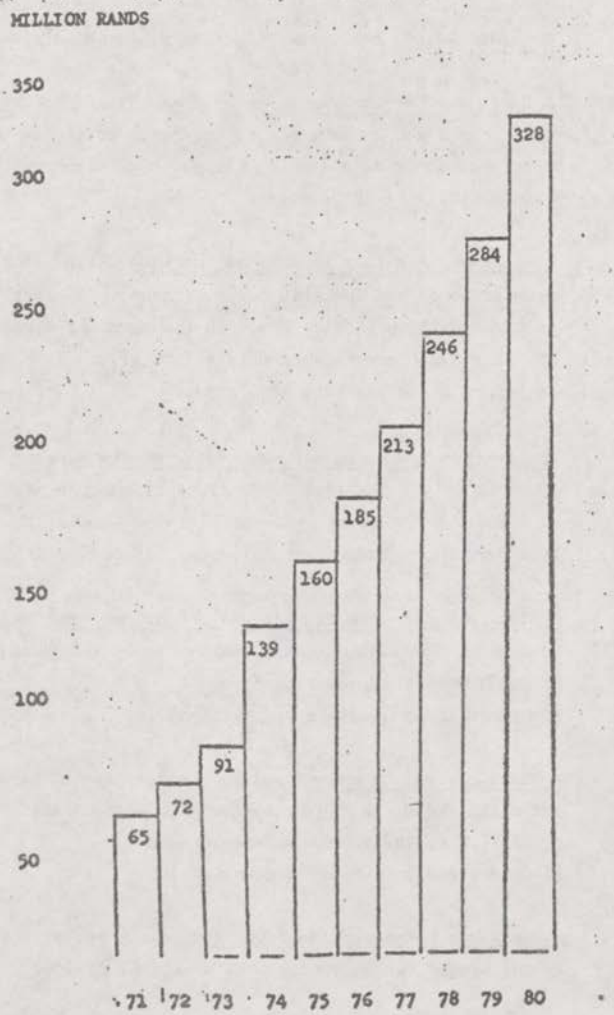
7. Set up more teacher training colleges - which in areas adjacent to metropolitan areas should be non-ethnic.

8. Raise teacher salaries gradually to a level which compares reasonably with that which can be obtained for comparable level of work in commerce and industry.

Sources of Information

(1) Annual Report, Dept. of Bantu Education
(2) Bantu Education Journals, Dept. of Bantu Education
(3) Financial Mail
(4) Star Report 5th July 1976
(5) Dr Beryl Unterhalter - University Witwatersrand RDM report 30 June 1976

Graphic representation of the figures mentioned under NECESSARY ACTION, Item 1.



ANNEXURE B

LEGISLATIVE PROVISIONS WHICH DISCRIMINATE AGAINST BLACKS

1. A Black may not be in a prescribed area for longer than 72 hours unless he qualifies under Section 10 of Act 25 of 1945.

2. A Black may not live in an urban area except in a Bantu township in a Bantu hostel or in approved accommodation provided by his employer. (Section 9, Act 25 of 1945).

3. A Black may not work in an urban area unless he complies with both 1 and 2 above and he has received permission from the labour bureau which has not been withdrawn. (Section 22, Act 67 of 1964).

4. A Black may not live in a Bantu township without the permission of the Township Superintendent. Similarly he may only live in that place in the township where the Township Superintendent permits him to live. (Standard Bantu Township Regulations).

5. The family of a Black may not live with him in a Bantu township unless they qualify under Section 10 of Act 25 of 1945, and the Township Superintendent permits this. (Standard Bantu Township Regulations and Act 25 of 1945).

6. A Black may not work outside the prescribed area in which he resides for longer than 30 days without the permission of the Township Superintendent. (Standard Bantu Township Regulations).

7. A Black may not be unemployed for longer than 30 days and still reside in the Bantu Township without the permission of the Township Superintendent. (Standard Bantu Township Regulations).

8. A Black may not accept employment which is not authorised by the Labour Bureau (Section 22 of Act 67 of 1964).

9. A Black may not move from one prescribed area to another without the permission of the labour bureaux of each area concerned. (A corollary of Act 25 of 1945 and Act 67 of 1964 and the Standard Bantu Township regulations).

10. A Black may not start a business or participate in a business as a principal.

a) in a Bantu township without permission of the Township superintendent (Standard Bantu township regulations)

b) in any area not zoned for him (Group Areas Act).

11. A Black may not perform any work which he is prohibited from doing in terms of -

a) A determination under Section 77 of Act 28 of 1956 (Industrial Conciliation Act).

b) A gazetted prohibition by the Minister of Bantu Administration and Development under Section 20A of Act 67 of 1964. (Bantu Labour Act).

c) Section 15 of Act 27 of 1951 (Bantu Building Workers' Act)

d) The provisions of the Group Areas Act No. 36 of 1966 relating to occupation by disqualified persons.

e) Industrial Council Agreements.

12. A Black may not be in an urban area in which there is a curfew between the curfew hours (Section 31, Act 25 of 1945).

13. A Black may not use all facilities or amenities where these have been set aside for a particular racial group.

14. A Black must carry a reference book which he must produce on demand in terms of the Bantu (Abolition of Passes and Co-ordination of Documents) Act No. 67 of 1952.

15. A Black must pay tax according to an Act which is unique to Bantu, namely the Bantu Taxation Act No. 92 of 1969.

16. Black education is governed by separate legislation with provisions which are not the same as those for other racial groups.

17. Blacks are at present treated differently from other racial groups under the Unemployment Insurance Act and the Workmen's Compensation Act.

(The amendments which would have corrected the position did not pass through Parliament in 1976).

Senator CLARK. My impression and I know relatively little about South Africa or working conditions of the economy—I am a real novice about it. But I have an interest in it. My impression is that the business community is farther ahead in their attitudes toward this kind of problem than the Government is. I certainly have the impression, talking with a number of business people both in South Africa and this country, it may well be that they will have some influence in trying to move the Government in that direction.

You have said, Mr. Funk, I think appropriately, that it is illegal for registered meaningful black labor unions to exist, to have recognized bargaining rights and powers. You said further that you agreed with Mr. Mosala his quote, "Labor is the key to their standard of living and self-realization. It is the key to their entire future."

Mr. Mosala is further reported as saying that the answer lay in full trade union rights for blacks. If this is true, the only real possibility of gaining what they need, black labor unions, isn't it impossible to think that investment is really going to be helpful until that law is changed?

Mr. FUNK. Senator, this is a very complex and complicated problem, obviously, in dealing with the various black trade union movements around the continent, and we have very close relationships with many of them. We frankly are under a great deal of pressure from those blacks in the countries north of South Africa, to take a very strong position against further U.S. investment.

We recognize the argument that is made and probably legitimately so, that through U.S. and Western European investment, the whole system of apartheid, the whole system of repression has been institutionalized and strengthened. But on the other hand, for many years now, we have had very close contacts, sporadic as they may be, but continuing and very close contacts with black trade union leaders within South Africa and black political leaders within South Africa and also with the black trade union movements which were exiled during the 1960's.

We must remember that in the early 1960's, there was a black trade union movement of more than 100,000 people who were well organized and had become such a political threat that they were crushed by the South African government during the early, middle sixties. In talking to those people; that, is the South Africans, the majority of the people, the black workers, people representing black workers both in South Africa and in exile movements, their advice to us has been much, much more cautious because they recognize that there are economic benefits accruing to their people through investment. They also, in the longer term, tend to recognize—although there are admittedly black political exile movements who disagree with this, but the people who are closest to the labor scene tend to feel that the path to political power for the black majority lies in the formation of strong black trade unions which will have a political clout which will not simply gradually reform the situation, but will build up to a full realization of the political and economic power in the hands of the black workers and can bring about a very quick and radical change.

Most of these people don't want to go through a revolution, so-called, because they recognize the dangers, to themselves and the people they represent, of going into a so-called revolutionary situation.

GOVERNMENT ALLOWANCE OF BLACK BARGAINING UNITS

Senator CLARK. Do you believe that it is practical to assume that the government would allow black bargaining units at some future period?

Mr. FUNK. I believe it is still possible, but the time is really very, very short. Some of the black trade union leaders whom we deal with—and there are a few strong black unions who do deal with employers effectively and do sign contracts, although they are not legal and sanctioned, but they are policed—some of these leaders who have been the most moderate have become much more radical in the past 6 months, in particular during the past 3 months. They are saying that we cannot tolerate this system much longer. In effect, really, the AFL-CIO is caught on the horns of a dilemma in this situation.

We will not, and have not in the past, supported a total economic boycott. We still feel there is some opportunity, slim as it may be and with time growing very short, that radical reform can be brought about. This obviously needs a strong black political movement of some sort. We feel that the trade unions can play that sort of a political role.

Senator CLARK. I agree with you. It seems to me that is a logical avenue to some political change, given the enormous black work force in that country, that it is logical to assume that change could occur through the economic system, pressure brought to bear there. I am just not sure that the regime is prepared to make that kind of concession to allow black registered unions to exist.

If there is some hope of that, I would be encouraged, but I have not seen any sign of that.

Mr. FUNK. Again, obviously, when I say that time is growing very, very short, I am quite pessimistic about this whole situation myself, too, but I still feel that if we can encourage more employers to deal directly with the black trade unions, we have made a step in the right direction. I would like to point out one survey of several hundred businessmen in South Africa, which was conducted in early 1974 by the Johannesburg Sunday Times, and which was published on May 12, 1974. In that survey, 51 percent of all the businessmen surveyed wanted blacks fully integrated into trade unions and another 27 percent wanted recognized unions for blacks alone, and only 10 percent were opposed to legitimate trade union representation for blacks.

The general overwhelming feeling was that the works and liaison committee system, which had been set up by the Bantu Labor Act of 1973, was simply not working. It was impossible. So, the climate is there, generally, I would say on the part of the employers of South Africa, to start to deal with black trade unions, even though they are outside the legal system at the present time.

Maybe this will force the Government's hand politically to make those very radical changes. I admit it is an outside chance, a very slim chance, but I think the effort should be made.

Senator CLARK. Fine. I think that is a good statement. I do want to say just in passing, that I find it difficult to get a handle on this question of what blacks feel about American investment I get very different reports. I talk to almost anybody that comes out of South Africa that wants to talk with any political persuasion. I certainly agree. One

of you quoted Chief Zulu that he disagrees with the idea of cutting off investment, that investment is helpful in South Africa; I guess particularly in Zulu land, in his own area. I have a great deal of respect for Chief Zulu. I have the impression in talking with urban township blacks coming out of South Africa since the uprising and so forth, that he really does not, or at least doesn't seem to represent their aspirations and their feelings, let's say, the young people in Soweto, people involved in the uprising, their feeling of this younger, perhaps one could say more radical group would be that investments are really not useful to them, that they really do feel that they stand in the way of political progress.

BLACK GROUPS POSITIONS ON U.S. INVESTMENT

The first witness that we had before subcommittee is the assistant director of the Christian Institute, who argued the position that it really was not beneficial. It is difficult to say what various black groups may feel about this. Obviously they are divided. It is more difficult to say what a majority view would be.

Mr. FUNK. Could I comment on that, Senator?

Senator CLARK. Yes.

Mr. FUNK. As I have said, many of the black trade union leaders, both in exile and within South Africa, whom we have talked with over the years, have advised us to proceed with caution on imposing restrictions on investment, but that attitude appears to be changing very markedly and very rapidly during the past several months.

To give you one example, there is the leader of undoubtedly the largest and best organized black trade union in South Africa, Mrs. Lucy Mvubelo, who met with Secretary of State Kissinger recently.

She has approximately 23,000 black clothing workers in Johannesburg. In the past, she has been considered to be, and I perceive her to be, very moderate on this.

Recently, her position has been changing somewhat. Without going into private conversations and communications back and forth, she was quoted as saying in the Rand Daily Mail that the black workers are fed up with the system.

Coming from one who is obviously the premier black trade union leader, and a very moderate one, this gives an indication that the black attitudes are changing very, very rapidly.

Senator CLARK. Yes.

CURRENT SITUATION IMPACT ON BLACK UNION MOVEMENTS

I want to get on the record five or six other questions. I ask you to try to answer them in 30 seconds or so, if possible, because I have a lot of other questions.

Mr. Green and Mr. Cunningham, briefly put what has been the impact of the current situation on the black union movements? I gather a radicalization of them is one of the things you just said.

Mr. FUNK. Yes; very definitely so. Since the so-called Durban strikes of early 1973, there has been an increasing tempo of organization amongst blacks. They are beginning to realize that they have this great political and economic power nearly within their grasp and they are starting to organize.

There are approximately 25 blacks trade unions who are well organized now. The majority of those have sprung up since the Durban strikes of 1973. Most of them are small, except for the clothing workers union, which has been in existence for a number of years and has 23,000 members.

Most of these unions are still quiet small, from 2,000 to 5,000 in membership, and many of them less than 1,000. The nucleus is forming.

Senator CLARK. I was thinking more in the last 3 months since the June uprisings what effect this has had?

Mr. FUNK. The information that we are getting has given the feeling that they are sitting on a powder keg, that they just don't know if they can control events. This whole concept of revolution entering the scene seems to be the predominant feeling.

BLACK LEADER ARRESTS

Senator CLARK. Do you know of any leaders of these black labor unions that you have just discussed that have been arrested in those recent 3 months?

Mr. FUNK. Yes. I think there have been some. Of the recent detainees, I think it is somewhere in the neighborhood of about 300 people who have been arrested for trade union activity, although these figures are changing daily.

Senator CLARK. In this recent period?

Mr. FUNK. Yes.

Senator CLARK. I don't know how closely any of you are with this situation, but is it your impression that white trade unions have hardened or softened their attitude towards blacks as a result of these activities?

Mr. FUNK. The trade union movement in South Africa is badly split. It is split into two national centers, one being all white dominated, the South African Confederation of Labor.

It is completely white. Its opposition has, I believe, hardened. The leadership of TUCSA, on the other hand, whose membership is approximately two-thirds colored and Asian and one-third white, and I think there are only about 28,000 blacks affiliated through that national center—that leadership is white and can be characterized as liberal and, as I say in my statement, even courageous.

Their attitude has been to try to do what they can to encourage the formation of black trade unions. It is a very mixed picture.

NEGOTIATIONS WITH BLACK UNIONS

Senator CLARK. Have any American corporations, to your knowledge, negotiated with these black unions that we talked about a moment ago?

Mr. FRANK. No; not directly. Most of the American companies that we have any direct knowledge of have stayed within the system of the industrial councils.

Of course, the basic thing which I am trying to advocate is that these American companies should investigate the possibility of stepping outside the system to try to change it.

Senator CLARK. British companies, I understand, are doing that now.

Mr. FUNK. Yes. The best example of that was Leyland Motor Co. with its negotiated contract with the black workers. That contract is being policed and enforced. It is workable.

Senator CLARK. Let's ask Mr. Green and Mr. Cunningham what they think of that. Why not do business with black trade unions? What is your view of that?

Mr. GREEN. I think we should. I think it is a corporate policy that we urge our local management to do so. We have two major operations, one of which is nonunionized; the other of which is unionized.

In reference to your particular questions as to the events of the last few months, the nonunionized operation which has employees of some service, give a remarkably good performance of reporting as they came from the Tambesi township, although they are under heavy pressure.

The workers at another operation in the Johannesburg area mostly live in one of the hostels of Soweto. They are transfer workers, Zulu. Over 3 days, none of them appeared for work. What reaction this is going to have with the white unions which negotiate for them, I can't tell you.

Senator CLARK. What do you think about doing business with black unions?

Mr. CUNNINGHAM. We have no objection to that whatever, but to reiterate a statement I made earlier in the hearing, we sincerely believe it is necessary to have a responsible and educated group with which to deal.

In point of fact, what we are doing now is negotiating, discussing on a regular basis with our committee which has elected members. They are not appointed, they are elected by the blacks.

Senator CLARK. These are organizations of blacks, elected by blacks?

Mr. CUNNINGHAM. Blacks in the plant elect representatives to this working committee.

Senator CLARK. What do you call this?

Mr. CUNNINGHAM. They basically act as committeemen. You can put any name on them you wish. But we are using this tool to train, if you will, a responsible organization. We have no objection whatever to working with them.

Senator CLARK. But they have no power presently to negotiate with you?

Mr. CUNNINGHAM. No official power, but that doesn't mean to say that they don't have a great deal of recognition within our organization.

Senator CLARK. Give us some examples of what they accomplished that you would not otherwise have done without their negotiation?

Mr. CUNNINGHAM. I feel many of the things that we have instituted with regard to equal pay and equal opportunity, and so on, have resulted from talks with them. We talked with them on the methods of implementing more progressive policies.

We work with them. They also go as observers to the council, the Manufacturers Council. But they not only sit and listen, they are allowed to, and do very freely, speak about things that they would like included in the agreements.

Senator CLARK. You would not be opposed to them organizing into a labor union as a negotiating unit with General Motors?

Mr. CUNNINGHAM. I would feel—with the reservation that the group is well qualified—we could very easily structure a working relationship with such a group.

Senator CLARK. That is encouraging.

Mr. FUNK. Senator, if I could comment just briefly on that. I am not familiar specifically with the committee which has been set up in General Motors, the specific workings of it.

But most of these liaison committees which were called for under the 1973 Bantu Labor Act—and there have been about 2,000 of them formed—these liaison committees are simply not working, and the vast majority of the employers in South Africa who were surveyed say they are not working.

Of course, one of the reasons is they are perceived to be company unions by the blacks themselves. The blacks, according to the law, must elect 50 percent of the committee members, but the employer, according to the law, may appoint the other 50 percent and the chairman of the committee.

So, the blacks generally perceive these to be company unions.

Senator CLARK. I can see how that would be a problem. I gather that these organizations may be formed in any way, that they are unofficial?

Mr. FUNK. Yes; that is right.

Senator CLARK. Let me go to another question. I wanted to ask Mr. Green and Mr. Cunningham, we will kind of alternate here on these and again Mr. Funk, if you have a comment or question, you may come in on it as well.

I wanted to ask you whether you agree with the statement that Mr. Funk read, from Mr. Leonard Mosala. Let me read it to you and see what you think of this.

In an article published in the Johannesburg Star on August 21, 1976, Mr. Leonard Mosala, a respected member of Soweto's Urban Bantu Council, is quoted as follows: "I have listened to the youth of Soweto, and I have found that they are concerned about all the inequalities of the black man.

"As high school students they are particularly aware of discrimination in education, but they are equally concerned about the discrimination awaiting them when they leave school or university. They want to be eligible for apprenticeship training. They want to be employed in jobs restricted to whites. They want to be able to take up any job for which they feel qualified, anywhere in the country. And they want to be paid the rate for that job."

My question is related to this ending. "Labor is the key to their standard of living and self-realization. It is the key to their entire future." Mr. Mosala is further reported as saying that "The answer lay in full trade union rights for blacks."

FULL TRADE UNION RIGHTS FOR BLACKS

Mr. Cunninghom, do you think the answer lies in full trade union rights for blacks?

Mr. CUNNINGHAM. Senator, I think the way we would view that is we also are concerned with discrimination in all its forms, including education and elsewhere.

As you can see in our statement, we are very far in the forefront of providing all kinds of education. I would like to repeat that we really believe that this is the key to the solution of many of the problems in South Africa.

Senator CLARK. Education?

Mr. CUNNINGHAM. It is education at all levels.

Senator CLARK. Then I gather you disagree that "labor is the key to their standard of living and self-realization. It is the key to their entire future," that the answer lay in full trade union rights for blacks, you disagree with that?

Mr. CUNNINGHAM. No, Senator. I would agree that that is only part of the solution.

Senator CLARK. It is a part but not the whole solution.

Mr. CUNNINGHAM. Precisely.

Senator CLARK. Mr. Green, what is your judgment on that?

Mr. GREEN. I think that this is a very important and necessary contribution to improve job opportunities for blacks. One of the sources of great job discrimination against the blacks are the white unions themselves.

The only way the blacks can assert themselves against whites who are unionized is to have an equal union. I think this is an important consideration, though I do believe also that an effective black union will only be so with a better educated black membership. That can come both from the government and through internal training within the organization.

Senator CLARK. I am very much inclined to agree with you, that a lot of the problem is the white unions themselves. At least we have become convinced of that with our earlier witnesses, that they can bring a lot of pressure to bear on employers; particularly if blacks are moved into more highly skilled jobs.

DO WHITE, COLORED UNIONS REPRESENT BLACK INTERESTS?

I was interested, Mr. Cunningham, in a statement you made in your testimony which says, in effect, that you negotiate with unions and that these unions, these white unions and colored unions represent the interest of blacks. I wonder how they represent it. What is your view of that? In other words, they do have representation; white unions represent them. But do they really represent them very well?

Mr. CUNNINGHAM. That would be hard for me to comment on, Senator, because I don't know to what particular representation you are referring.

Senator CLARK. As a matter of fact, I am wrong. It was Mr. Green, I think, who said that. Let me hold up my question. You said bargaining on behalf of blacks is done through representatives of the whites and coloreds who are members of these national unions. I gather from your statement, that you doubt that they do represent them very well?

Mr. GREEN. Among other things, Senator, they negotiate wage differentials and support other discriminations against the blacks. I think this is common knowledge and it is our experience in the few operations where we have unionization.

Senator CLARK. Do you have anything at all to add to that? Do you generally agree with that, Mr. Cunningham?

Mr. CUNNINGHAM. I think it is very clear that without official representation it is difficult for black representatives to obtain the kind of support that they require.

RESISTANCE FROM WHITE UNIONS

Senator CLARK. I would think so, too. Let me ask you more specifically, Mr. Cunningham, we had a Union Carbide witness—and I think others—who testified that if they try to move too fast they get resistance from white unions, particularly if you try to move workers in what you identify as categories 10, 11 and 12. Has your company had that experience?

Mr. CUNNINGHAM. Hereditarily, there must, of necessity, be some resistance. I feel that the unions have worked with us in the movement of the job discrimination guidelines, if you will, so that we have had more and more success in placing both coloreds and blacks in higher categories.

Senator CLARK. Then, you wouldn't push that quite as far as I am, that white unions really stand in the way of allowing you to move skilled workers into these highest positions?

Mr. CUNNINGHAM. Senator, I am only competent to comment on our experience in the area in which we operate.

Senator CLARK. That is what I mean.

Mr. CUNNINGHAM. I would say that progressively we have had more and more success in moving skilled and semiskilled, colored and black workers upward through the scales. In fact, as our statement indicated, we have doubled the number in this category since 1972.

Senator CLARK. In which category?

Mr. CUNNINGHAM. In the semiskilled areas for such jobs as welders and repairmen.

Senator CLARK. What about the highly skilled areas?

Mr. CUNNINGHAM. We have a problem in that area. We go back to education. We need to train people.

Senator CLARK. The reason is not because the government doesn't prevent you from doing it and it is not that you get resistance in the white unions; rather there has been nobody in South Africa who can fulfill those jobs?

Mr. CUNNINGHAM. I think it would be fair to say it is a mixture of all three, but progressively because we have been able to work with the association, the unions, and our employees, we are having more and more success.

Senator CLARK. Let us come back. I have cited these figures before. I get confused about whether it is really the government that prevents companies from doing this, whether it is resistance from white labor unions or whether it is lack of education or whether if it is those three together that constitute it. What do you call it? You have doubled in the semiskilled areas since 1972.

You look at the highest skilled areas, 10, 11 and 12, there are almost 700 whites and 7 blacks. Admittedly, you have gone from zero to seven. But seven blacks out of that many is a very, very unimpressive, unimportant, insignificant number in my objective judgment. I think you would agree.

Why not more?

Mr. CUNNINGHAM. No, Senator, I don't agree; inasmuch as blacks that have entered our work force recently and training for those skilled jobs takes time.

With training, we believe, and believe sincerely, we will be able to move blacks into those top categories.

Senator CLARK. How long does it take to train people in those areas?

Mr. CUNNINGHAM. Apprentice training in skilled trades takes at least 4 years. But we have a problem before that. A lot of people, when they come in, are illiterate. We have to go through literacy training. Then we go through basic grade school and high school training and then into the skilled trades category. That span is a long span.

Senator CLARK. I understand if every black that came in was illiterate, it would be. But certainly you are getting some who are well-educated; not many; two-tenths of 1 percent, I think, of those who enter primary school, graduate. But at least two-tenths of 1 percent are graduating. There are some people available.

It just seems to me if there are 700 whites, that there might be more than 7 blacks available. Let me put it another way.

STATISTICAL PREDICTIONS FOR BLACKS IN SKILLED POSITIONS

You would expect then, over a 4-, or 5-, or 6-year period that if you were to come back before this committee, you could tell us you got as many blacks as whites or what? What is the hope for the future?

Mr. CUNNINGHAM. I wouldn't like to predict that, Senator. What happens, of course, is we train a lot of our coloreds and blacks and they tend to leave to go to other industry. We don't have the progress that we would like to have. We don't have as many people moving through the training system to the top levels as we would like to have.

Senator CLARK. But you don't feel it is the Government that is preventing that? There isn't any law that says if you find a highly skilled black worker, you can't put him in that position?

Mr. CUNNINGHAM. The Job Reservation Act is there, but we have been able to get exception to the provisions of that act from the unions and then, with that, go back to the Government and get its agreement. We will continue to do that.

BLACKS IN SUPERVISORY POSITIONS OVER WHITES

Senator CLARK. What about this practice that earlier witnesses, American corporations told us about? I don't know whether it is true or not. I wanted to get your judgment on this. We were advised by these witnesses that there is an unwritten policy—which says that no black may supervise a white, in any circumstances, in South Africa.

Do you find that true in General Motors, or do you find that you put black people in supervisory positions over whites?

Mr. CUNNINGHAM. For black people, we have found, as you say, it is very difficult to do. In fact we have none.

Senator CLARK. Have none?

Mr. CUNNINGHAM. Have none. However, we do have some colored supervisors.

Senator CLARK. Why is that, why is it difficult? What are the forces? I am trying to understand the forces at work. There is no law, appar-

ently, that says a black may not supervise a white. Suppose you found a young fellow who graduated from a university who came to your company and you say, "We think you are fully qualified. We want to train you for a year; even so, we want to put you in charge to manage our company here or manage a whole department."

What would happen? I want to get a picture of the kind of resistance you would get to that?

Mr. CUNNINGHAM. I really can't answer that question. We haven't had the opportunities to try such a thing.

Senator CLARK. You wouldn't try it, would you?

Mr. CUNNINGHAM. I would say if we had capable people, and were sure, that we would discuss this. I think, with the correct kind of environment, that we probably could have some.

Senator CLARK. You don't think you would get resistance from white workers?

Mr. CUNNINGHAM. I am sure, because of the hereditary attitudes in Africa, there would be some resistance. But I think our policies and efforts are helping to overcome this resistance.

Senator CLARK. So far we have never talked to an American corporation who has ever put a black in supervision over a white. That says something. I don't think it is accidental. It is not a law. It could be done. But there has to be something that is resisting that. It can't be simply lack of training, lack of education, because we know that although blacks are very low on the educational level, the amounts of money that are spent and so forth, we do know that there are a number of black university graduates that are available in that market.

To my knowledge, not a one has ever been put in a position of supervision over a white. I am not sure why. Is it just resistance? Is it union pressure? Would all the whites just walk off the job? Can you put any light on this at all, Mr. Green?

Mr. GREEN. I am afraid I can't because our work force in all our operations is, in substance, black. That is both union and nonunion. Therefore, we do not have occasion, within the factory, to put a black over a white. We do not have instances of black people supervising whites, in clerical or office jobs.

Senator CLARK. They are all separated in clerical jobs? You have blacks and whites separated?

Mr. GREEN. In clerical jobs we have colored and Asians and some blacks, but we have no cases where a black has supervised a colored, Asian or white.

Senator CLARK. Have you ever known of a black in a supervisoy position, in any American industry, over whites? We have never heard of one. I am just trying to get it on the record. Never have?

We are honored to have the chairman of the full Foreign Relations Committee here, Senator Sparkman.

Do you have any questions?

Senator SPARKMAN. No. I just wanted to visit with you. I have been in another hearing. I just came by to visit with you.

Senator CLARK. Good; thank you.

Let us go to one other question. I thought Mr. Frank made an interesting statement. I am going to read this to you. It really bears very much on what we are talking about and see if you both agree

with this. He is talking about employers. He has talked about how the law could be changed. Now he is talking about what employers could do.

With respect to South African employers, particularly those representing U.S. investment and Western European investment as well, we can and should bring more pressure to bear through the "home office"—

This is something I think Mr. Green has also indicated—

. . . to urge these employers to be more responsive to the needs of black workers In the past, the general response of the employers has been to claim that law and custom prevent them from doing more. But this is not the case. There is no law which prevents an employer from raising wages. There is no law which prevents an employer from training a black man for any job, and exceptions to the job reservations are easily obtainable, given the shortage of skilled labor. There is no law that sets a limit on fringe benefits which may be given to black workers. And there is no law which prevents an employer from dealing with a black union in good faith should he choose to do so.

Do you agree with that entirely, Mr. Green?

Mr. GREEN. I know of no laws, although I am not an authority in this field. As I said earlier, I do feel that the support and open direction from the home office is an extremely important consideration because your local managers of companies, many of which are small and many of whom are managers who are there for a short time, have their focus on performance.

The home office must be the one to allow profits to erode competitively and undertake some of the measures that should be done. I think this is an extremely important consideration.

Senator CLARK. Do you find anything, Mr. Cunningham, in Mr. Funk's statement with which you find yourself in disagreement?

Mr. CUNNINGHAM. Mr. Chairman, General Motors has operating policies for its overseas operations worldwide. They are not changed in any form in South Africa. We use the same operating policies everywhere.

We have the full support of our management from the chairman on down. As I stated in my introductory remarks, our chairman and many other top executives have been to South Africa personally and have talked to political and economic leaders, advocating change. I would have to say we have more than full support. We have the absolute, unequivocal backing of our top executives.

Senator CLARK. You would not find anything in the Funk statement with which you find yourself in disagreement?

Mr. CUNNINGHAM. No.

EXERCISING INVESTMENT OPTIONS

Senator CLARK. I want to address a couple of questions to Mr. Green. You make a very interesting point in your conclusion about the possibility, you say, "should the road of heavy suppression be followed, that U.S. companies or that Norton in particular should consider curtailing their involvement in South Africa."

I admire you for saying that, at least leaving that option open. If it gets worse and worse, you may want to exercise that option, or if it gets better you may want to exercise the option of heavier investment.

How does one decide where to draw the line? How repressive must

a government be? At what point does the good of the company become involved in this? How do you draw the line?

Mr. GREEN. I don't think you draw a line. You have to react by instinct and hunch because we are talking about a political situation that I think probably at best is unpredictable at the present time although we all have our opinions and judgments as to what may happen.

Our board of directors sensed that this was going to reach the dramatic situation that took place and decided 2 years ago not to make any further investments in South Africa.

Senator CLARK. You say you decided 2 or 3 years ago not to do that?

Mr. GREEN. However, the operations have been successful and profitable operations. There have been disposable funds. There has been reinvestment from those earnings there which has led to some expansion. I think that perhaps answers the first question about further investment.

We will maintain this posture until the situation is resolved clearly as to change in the current political policies. If the trend is toward heavier repression, then the question comes up as to whether we want to be a part of that economy and do we want to stay?

I am sure you are fully aware there are heavy restrictions on withdrawing funds. The economic and business climate is quite poor in this regard.

An individual American business that may wish to divest itself of its interest or part of its interest because it does have responsibility toward its shareholders in this country.

Our hands are pretty much tied for the moment on the matter of withdrawal economically and on a financially sound basis.

GMSA INVESTMENT EXPANSION PLANS

Senator CLARK. Mr. Cummingham, is General Motors continuing to expand its investment or do you intend to in South Africa?

Mr. CUNNINGHAM. We have no reason for expansion at the present time. So, the question is somewhat academic. As far as our operations are concerned, we feel that each case must be taken on its own merits with deliberate consideration of the facts as they are at that particular time in order to come to a good business decision within the set of circumstances as they exist.

I have every reason to believe that General Motors will continue to monitor its activities in this manner.

Senator CLARK. You wouldn't rule out the possibility if this regime becomes more and more repressive, reacts in a harder line, that this would affect your future continuation and investment in that country?

Mr. CUNNINGHAM. We certainly would consider the merits of the situation within the circumstances as they existed whenever that happened to be, and make a judgment at that time.

UPRISINGS EFFECT OUR OPERATIONS

Senator CLARK. Mr. Cunningham, how have these recent strikes, and the other uprisings that have occurred in the last 13 or 14 weeks affected your own operations in each case?

Mr. CUNNINGHAM. We at General Motors South Africa have been very lucky indeed. Perhaps because of our progressive policies, we just haven't had the problems that many of the other employers have had. I would have to say that we were hardly affected at all.

Senator CLARK. Do you have plants near Johannesburg?

Mr. CUNNINGHAM. Port Elizabeth.

Senator CLARK. Has there been an industrial strike in that area?

Mr. CUNNINGHAM. There was some strife which came about, as I understand it, through the sale of too many tickets for a football game. So a group of Africans could not get in. That started some consternation.

Senator CLARK. That came to an industrial strife?

Mr. CUNNINGHAM. Not to my knowledge.

Senator CLARK. You have companies in the Johannesburg area, have you not, Mr. Green, where the strikes have occurred?

Mr. GREEN. Yes.

Senator CLARK. How has that affected you?

Mr. GREEN. We have one plant whose employees live in one of the hostels in the Soweto area. For 3 days they were prevented from coming to work. I cannot comment on how voluntary that was on the part of any or all.

The other operation is populated by individuals who live in the Tambesi area. The violence has been much less there. Most of the workers managed to come to work, however, under some circumstances with great difficulty.

Senator CLARK. At that point you don't see it seriously affecting your own operations?

Mr. GREEN. Not at this point.

EXPRESSED OBJECTIONS TO SUBSTANDARD HOUSING, EDUCATION

Senator CLARK. Your testimony, Mr. Green, under wages and benefits is:

> The housing in black segregated towns and cities is generally substandard by our values and heavily overcrowded although at subsidized rents; medical services, again subsidized, are insufficient; and educational facilities are grossly inadequate in every respect, and in addition require tuition payments as contrasted to free public education for whites.

It is my recollection that Mr. Cunningham had said his management had raised objection to that. I am curious if Norton has done anything of that kind.

Mr. GREEN. You are talking with respect to education or housing?

Senator CLARK. Any or all of these, have you made any objection to the Government of South Africa, have you expressed the view you have expressed to us about that problem?

Mr. GREEN. We have not, to my knowledge, although our local manager has a number of acquaintenances in the African administration. He may have individually. Through the trust funds we have made contributions to the schools and hospitals in the Tambesi area.

NORTON DONATIONS

Senator CLARK. Could you just for the record give us any indication either now or submit for the record the levels of those assistances?

Mr. GREEN. I know of contributions of $5,000 to the school. I can get the additional information for you on the other contributions.

Senator CLARK. Fine. If you could send that to us it might be good to have it in the record.

[The information referred to follows:]

NAMES AND ADDRESSES OF GROUPS AND CHARITIES TO WHICH NORTON SOUTH AFRICA HAS MADE DONATIONS OVER THE PERIOD 1970–1974

(Supplied by: Thomas S. Green)

Department of National Education Private Bag 122 Pretoria Transvaal	National Study Loan and Bursary Fund for University Students.
S.A. National Council for the Blind P.O. Box 157 Cape Town	Care, Training, Rehabilitation and amenities for blind people.
S.A. National Council for the Deaf P.O. Box 31663 Johannesburg Transvaal	Assistance and Training for deaf people.
S.A. National Council for Child Welfare P.O. Box 8539 Johannesburg Transvaal	Service and Education for orphaned, destitute, and socially handicapped children.
S.A. National Council for Mental Health P.O. Box 5402 Johannesburg Transvaal	Assistance to underprivileged mentally ill and mentally handicapped.
S.A. National Council on Alcoholism and Drug Dependence P.O. Box 10134 Johannesburg Transvaal	Rehabilitation of addicts and dissemination of publicity on dangers and prevention.
S.A. Red Cross Society P.O. Box 8726 Johannesburg Transvaal	Affiliate of International Red Cross.
National Cancer Association of S.A. 9 Jubilee Road, Parktown Johannesburg Transvaal	Funds for research and relief of cancer victims.
South Africa National Tuberculosis Association P.O. Box 10501 Johannesburg Transvaal	Prevention and Treatment of T.B.
Alexandra Anti-T.B. Association P.O. Box 454 Johannesburg Transvaal	Provision of medical, domestic and financial help to African patients and families.
Salvation Army P.O. Box 1018 Johannesburg Transvaal	Social Welfare in many fields.

Society of St. Vincent de Paul P.O. Box 428 Johannesburg Transvaal	Bulk feeding for missions and schools, providing old age homes for Coloured people etc.
Easter Stamp Fund for Cripples P.O. Box 7967 Johannesburg Transvaal	Orthopaedic Research and special treatment for crippled people.
United Cerebral Palsy Association of South Africa P.O. Box 10398 Johannesburg Transvaal	Funds for research and help for cerebral palsied children.
Life Line P.O. Box 31130 Johannesburg Transvaal	Personal counselling by telephone for anyone in any difficulty.
Bantu Refuge P.O. Box 39 Germiston Transvaal	Homes and social care for aged Bantu.
Entokozweni Moletsane Township P.O. Kwa-Xuma 1818	African family welfare community services and early learning.
Bureau of Market Research P.O. Box 392 Pretoria Transvaal	Publication of statistics on Minimum subsistence level of wages for urban Africans.
Kupugani (Nutrition Corporation of S.A.) P.O. Box 8164 Johannesburg Transvaal	Health education and health and productivity improvement through nutritious foods for the underprivileged.
Leprosy Mission 150 Thomson Street Colbyn Pretoria Transvaal	Relief of Lepers.
African Self-Help Association 314 Transvalia Building 21 Stiemens Street Braamfontein Johannesburg Transvaal	Day nurseries for African children.
Bantu Education Fund, Tembisa c/o W.A. Watts P.O. Box 4581 Johannesburg Transvaal	To develop African education in specific area in which many Norton employees live.
Bantu Sport & Recreation Fund Dept. of Bantu Administration & Development P.O. Box 384 Pretoria Transvaal	Provision of facilities for African sport and recreation.
Baroka BA nkwana Tribal Authority P.O. GA-nkwana	Assistance in providing school accommodation in African homeland.
Epileptic Employment Association P.O. Box 41116 Craighall	Sheltered employment, welfare, and accommodation for epileptics.

South Africa Foundation P.O. Box 7006, Johannesburg	
S.A. Coloured Advancement Trust P.O. Box 2804 Cape Town	Financial assistance to coloured students.
Germiston Technical College Private Bag X1030 Germiston	Help in providing technical equipment for training artisans.
Soweto African Education Fund P.O. Box 18 Orlando	Providing means for schooling of African children in township schools.
Boys Town South Africa P.O. Box 31118 Braamfontein	Residential school for boys with domestic or other problems.
Various orphanages in the Transvaal	

Payments from the Norton South Africa Trust Fund from inception to August 1976

Bureau of Market Research study on problems affecting black businessmen in urban areas. (The findings were submitted to the Government.)	R 5,000.
Printing of National African Federated Chamber of Commerce (NAFCoC) 5-year plan	R 900.
Contribution (affiliation fee) to National African Federated Chamber of Commerce (NAFCoC)	R 4,000 annually.
Deposit in African Bank	R 20,000.
Contribution to Small Business Advisory Bureau	R 500 annually.
Cost of accompanying black business group overseas	R 1,500.

WORKERS COMMITTEES FOR BLACKS

Senator CLARK. Mr. Green, does Norton have workers committees for blacks at Lasher and Republic Buff? You know in our discussion with Mr. Cunningham he indicated that General Motors has these black workers committees and so forth. Do you have any of those in your nonorganized——

Mr. GREEN. We have at each one of those locations under the Bantu Act, we have elected committees. All members of the committees are elected except the chairman who is the local manager and therefore appointed by our manager.

These committees do not negotiate as unions or even as company unions. But they do discuss problems with regard to wages, benefits, and working conditions. I think I also mentioned that we have these Induna committees. These naturally discuss problems of supervision and represent the interest of the workers, also.

Senator CLARK. Are they appointed or elected?

Mr. GREEN. They are appointed.

Senator CLARK. By whom?

Mr. GREEN. They are first-line supervisors.

FRINGE BENEFIT EQUALITY

Senator CLARK. Are the fringe benefits at Lasher and Republic Buff equal for all workers regardless of race?

Mr. GREEN. At Republic Buff all workers are blacks.

Senator CLARK. What about at Lasher?

Mr. GREEN. They are all blacks.

Senator CLARK. Obviously, they are all the same.

Mr. GREEN. That is right.

Senator CLARK. I wanted to ask Mr. Cunningham some questions. I hope, Chairman Sparkman, if you have any questions you will simply break in.

Senator SPARKMAN. I am simply listening in.

APARTHEID EFFECT ON OPERATIONS

Senator CLARK. In your testimony, you say "the most notable and difficult local regulation inpacting foreign, or guest, companies is the Government's policy of aparthied." I wonder what particular aspects, if we could be specific, have the greatest impact on your operations?

You mentioned separate facilities and job reservations under the Industrial Conciliation Act. Later you say neither of these have much impact on your company. How is business really affected by a partheid?

What is it that really restricts you from providing really totally equal opportunity?

Mr. CUNNINGHAM. It does several things, Mr. Chairman. It makes the operation of the plant, in the way we would like to see it operate, more difficult. It makes the implementation of General Motors policies with regard to fair employment, labor practices, equal opportunities and equal facilities for all our employees, more difficult to implement.

It just takes more time, more conciliation and more negotiations with the unions and with the authorities in order to implement the things that we believe to be right.

Senator CARK. Can you give any specific examples? I understand your answer is that the whole system is a problem for you in terms of implementing your whole set of policies that you have decided that you want pursued.

GOVERNMENTAL RESTRICTIONS ON MULTINATIONAL COMPANIES

I am trying to get a better picture of specifically what you can't do because the Government says no or specifically what restrictions are placed on you because of this system that they have? Can you think of specific examples that really restrict you?

Mr. CUNNINGHAM. Yes. As I mentioned, Mr. Chairman, we, as do all companies in South Africa, operate under the Job Reservations Act. It obviously requires negotiations to implement the upward movement of people.

The regulations are quite specific about separate facilities. But we have been able, I think with a very good attitude on the part of authorities in the Port Elizabeth area, to modify and to implement our programs more liberally within the confines of existing legislation.

EFFORTS TO CHANGE RESTRICTIONS

Senator CLARK. Just to come back to what we were talking about a moment ago, you say in your testimony that the company has pursued changes in Government employment restrictions and have ex-

pressed concern to Prime Minister Vorster. I was wondering if you could be a little more specific about what specific restrictions you have cited, what changes you suggested to the Government that you would really like to see take place as an investor in this country?

Mr. CUNNINGHAM. I think the whole question of apartheid can sum up our feelings.

Senator CLARK. Your expression to the Prime Minister?

Mr. CUNNINGHAM. Absolutely.

Senator CLARK. Have you ever acted in concert with any other companies to try to get the Government to change certain policies or has this been your own individual effort?

Mr. CUNNINGHAM. In every opportunity we have had in the association of manufacturers, in the chamber of commerce activities and so on, these questions are discussed. We exert all the influence we can in a nonpolitical way to bring about the kind of changes that we feel should be made.

Senator CLARK. Let us pursue that just a little further. What does General Motors think about the possibility of U.S. companies taking a higher profile in South Africa, possibly through a U.S. Chamber of Commerce in Johannesburg?

Would that be feasible or what efforts might be tried by American companies in South Africa? What role might the U.S. Government itself play in this? What is your own thinking concerning how we can get a higher profile?

How we can make greater changes, what we can do, either as a Government, or through a group of companies or through the establishment of a chamber, do you have any ideas along this line at all?

Mr. CUNNINGHAM. Mr. Chairman, I don't think we have examined the role that the U.S. Government may or may not play. We have been much more concerned in improving our own operations.

I am sure we would be very happy to examine that question for you.

U.S. CHAMBER OF COMMERCE IN JOHANNESBURG SUGGESTION

Senator CLARK. What about, let us say, establishing a U.S. Chamber of Commerce in Johannesburg which would get American companies together to talk about these problems? What would your feeling be about that?

Mr. CUNNINGHAM. I would feel that any organization that has the same objectives that we have, and as I am sure the majority of guest companies in South African have, must be helpful in bringing about changes that we would like to see.

CONSTRAINTS OF MOVING AFRICANS IN WHITE COLLAR POSITIONS

Senator CLARK. This is a question I raised a little earlier but again I want to get a little more specific. Your figures on salary and hourly employees seem to show that you have three black Africans on salary out of a total population of 1,300 salaried employees.

You confirmed that is correct. Again, why is that so? What are the constraints of moving Africans in white collar positions? The one you

mentioned was lack of training and education. Are there any other reasons?

Put them in the order of importance as you see it.

Mr. CUNNINGHAM. I believe the whole subject of the progress of coloreds and blacks is a progressive thing. I have every reason to believe that the somewhat modest headway, as you have pointed out, Mr. Chairman, we have made with black salaried employees will continue to be improved.

I think it is difficult within the inherent structure in South Africa to bring about radical changes rapidly. But I think we are moving ahead as fast as we can in this direction.

Senator CLARK. And you have training programs underway?

Mr. CUNNINGHAM. Very big ones.

Senator CLARK. You have recruiting programs underway?

Mr. CUNNINGHAM. Yes, we do.

BLACKS IN TRAINING PROGRAMS

Senator CLARK. How many blacks are in training programs for these positions that you and I have been talking about; that is, positions 10, 11, and 12, and when will they be apt to be coming into the work force in those categories?

Mr. CUNNINGHAM. I don't have that information available at this time.

Senator CLARK. Could you make it available?

Mr. CUNNINGHAM. I certainly could.

Senator CLARK. We will keep the record open if you could make some calls and get that to us.

[The information referred to follows:]

GENERAL MOTORS CORP.,
New York, N.Y. October 20, 1976.

Hon. DICK CLARK,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CLARK: Attached is the corrected transcript of my appearance before the African Affairs Subcommittee on September 22. I have only recently returned from several weeks abroad, and regret the delay in responding.

During the hearing you inquired (at transcript page 913) about the number of African employes of GM South African being trained for positions in the skilled work grades, and our estimate as to when these employes would be moved into such positions.

It is the policy of General Motors to promote from within whenever possible. Employes who demonstrate the ability and inclination to advance are identified and given appropriate training and education. Colored and African employes who often lack basic education are placed in classes which provide the educational foundation on which further technical instruction can be built. They are counseled and encouraged to prepare themselves for promotion, as well as being given every opportunity to acquire the skills and abilities necessary to move up through the grades.

Thus, movement into the higher work grades is a continuous evolutionary process, with timing based on the performance, experience and on-the-job training of individual employes. The attached table shows the considerable progress GM South African has been able to make in this area. For example, 70 non-white employes have moved into the skilled work grades since 1971. During the same period, 652 nonwhites have moved into semiskilled jobs in work grades 6 through 9.

We estimate that an additional 19 colored and 6 African employes could expect to advance to work grades 10 and 11 during 1977, providing the economic

situation in South Africa improves and the current trend toward reduction in employment is reversed.

GMSA is preparing two colored students for a fellowship to General Motors Institute in Flint, Mich. These young men are enrolled at an advanced college in South Africa to acquire the requisite academic background for enrollment at GMI.

As we said in our statement for the record of the hearings, a primary personnel goal of GMSA is to promote as many nonwhites as possible into the higher work grades. While we feel we have made significant progress toward this goal, it must be remembered that educating and training many of our employes is a lengthy process. While we have been actively pursuing the upgrading of African employes for many years, the fact remains that many Africans come to GMSA completely untrained and relatively uneducated. Through programs which pay for books and fees for children of African employes, which we also noted in our statement, GMSA is attempting to raise the educational level of as many African children as possible.

Again, we feel we have made substantial progress in this area. We also recognize that more improvement is needed.

I hope this information will be helpful to your committee.

Sincerely,

ALEX CUNNINGHAM.

MOVEMENT OF GM SOUTH AFRICAN NONWHITE EMPLOYES INTO HIGHER WORK GRADES

	Colored			African		
	1971	1976	Increase	1971	1976	Increase
Work grade:						
6	35	328	+293	3	70	+67
7	27	76	+49	----	15	+15
8	128	200	+72	5	18	+13
9	35	167	+132	7	18	+11
10	----	47	+47	----	6	+6
11	----	16	+16	----	1	+1
	225	834	+609	15	128	+113

BASIS FOR EMPLOYEE CUTBACKS

Senator CLARK. In June 1975, the Labor Minister states, "So-called white jobs now being given to blacks would revert to whites if worse came to worse, and South Africa suffered a depression."

This is from the Labor Minister himself, Minister Marais Viljoen. I noticed that you have been forced to cut back on the number of employees in South Africa. How did you do this? Who was out? Was it on the first-hired, last-hired basis?

Mr. CUNNINGHAM. On a seniority basis.

Senator CLARK. Solely on a seniority basis?

Mr. CUNNINGHAM. Solely on a seniority basis.

FRINGE BENEFIT PROGRAMS ADMINISTRATION

Senator CLARK. I have one other question I wanted to ask you here. I have so many I want to be selective. The subcommittee would be particularly interested in looking over your figures concerning the number of employees that are participating in your fringe benefit programs and the costs of those programs.

You make quite an issue here, I think appropriately, of your fringe benefits and the equality of opportunity and so forth. How many people are really benefiting from those fringe benefits? It is one thing

to have them available, and it is another for people to receive them.

Mr. CUNNINGHAM. Our fringe benefits are administered across the board equally, regardless of race. That means for white employees, colored employees, and blacks.

Senator CLARK. Take something, take your medical program for Africans, is that voluntary or mandatory?

Mr. CUNNINGHAM. That is voluntary. We have an extended medical program. We have two programs that are extended, one where we have the plant nurse visit the colored families where they live, which is purely voluntary on our part.

They visited some 700 families last year. We also have the extended program, as I mentioned, in which we provide medical benefits for retirees and the families of our employees.

Senator CLARK. When I say voluntary or mandatory, I meant does the employee select it. Is it available or do they actually take it and get it?

Mr. CUNNINGHAM. They really take it. They take full advantage of the program.

Senator CLARK. You have what, 400 blacks working for General Motors?

Mr. CUNNINGHAM. About 630.

Senator CLARK. They are all getting, not just available to them, but they are all getting medical benefits?

Mr. CUNNINGHAM. Yes, they are.

SOUTH AFRICA ARMY DEFENSE FUND

Senator CLARK. Another thing I was interested in. We saw an advertisement in the recent Rand Daily Mail on May 5 of this year. It carried an advertisement for funds for soldiers that Chevrolet dealers are sponsoring for the South Africa Army defense fund.

The wording is something like this, maybe you haven't seen this, I don't know. "They are our South African soldiers, support them and win yourself a Chevrolet. Your nationwide Chevrolet dealers believe that we can't do enough for them."

Our concern obviously about this is the appropriateness of such an ad being placed by companies associated with the United States. Have you seen this ad?

Mr. CUNNINGHAM. Yes, I have.

Senator CLARK. What do you think about it?

Mr. CUNNINGHAM. I think the ad, unfortunately, is not understood here. The South African defense fund is a fund for widows, orphans and so on of the armed services. As such, I think it is an appropriate fund for our organization of dealers to contribute to.

It is a fund which administers its programs without regard for race. It covers widows' benefits, schooling benefits for children. It covers areas of multiracial sports programs. It does all kinds of things in this area.

I think that perhaps at first blush that ad doesn't read the way you would think when you know the background.

Senator CLARK. So the South Africa Army defense fund, is really for widows and children's education?

Mr. CUNNINGHAM. Yes, it has nothing to do with the army, per se.

Senator CLARK. That is enlightening. It is hard to be against widows and education funds and so forth. I think we have covered the basic questions. I do want to give you an opportunity to say anything if you have anything further you would like to add to your testimony.

If not, we thank you very much certainly for being here and taking the day to come down and talk with us.

It has been very helpful to us. We have a little better idea of what is happening in American investment in South Africa. We thank you very much.

[Whereupon, at 12:05 p.m., the subcommittee recessed, to reconvene 9:30 a.m., Thursday, September 23, 1976.]

SOUTH AFRICA

U.S. Policy and the Role of U.S. Corporations

THURSDAY, SEPTEMBER 23, 1976

UNITED STATES SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS OF THE
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to notice, in room 4221, Dirksen Senate Office Building, Hon. Dick Clark (chairman of the subcommittee) presiding.

Present: Senators Clark and Biden.

Senator CLARK. The hearing will come to order, please.

OPENING STATEMENT

I would like to continue the practice that was started of reading the African section of the International News Summary printed by the Committee on Foreign Relations each day to try to give some orientation to these hearings.

In Rhodesia, where Ian Smith talks to the nation tomorrow, according to The New York Times the white population takes the diplomatic activity calmly but black and white reactions are difficult to assess because the details of Smith's discussions with his government aren't known yet. The Washington Post on page 1 says Rhodesian whites doubt they will "give in" now but they are feeling fear.

Meanwhile the Times says two versions of the understanding between Smith and Kissinger are circulating in Africa. Nyerere said he understood Smith had agreed to black majority rule in Rhodesia within two years but reporters with Kissinger got the impression the deadline was still open to negotiations.

Kissinger stopped in Zaire where President Mobutu said he was persuaded that a peaceful solution in Rhodesia was possible. On the other hand, Rhodesian black nationalist leader Joshua Nkomo said the plan had "very serious flaws," and Mozambique's Vice President said his country would not support the plan.

Kissinger passes through Kenya today and heads for London with arrival back in the United States now set for tomorrow. Reversing earlier pessimism, England's Foreign Secretary Crosland is now optimistic about the plan. At the United Nations there is both hope and skepticism.

A conference on Namibia may be taking shape. Kissinger will confer at the United Nations with SWAPO leader Sam Nujoma who has not yet taken part in the talks on the territory's independence.

Violence and death resulting from racial demonstrations hit the center of Johannesburg for the first time.

U.S. LOANS TO SOUTH AFRICA

There has been much attention and concern about U.S. business involvement in South Africa. Debate over the role of U.S. business there

has focused on the question of whether U.S. companies should withdraw or whether the U.S. Government should seek to influence the conduct of companies in regard to sales and employment policies. A question of greater relevance, however, may concern another aspect of American business involvement in South Africa—one about which little is known—U.S. lending.

Loans to South Africa by U.S. banks and their branches abroad have increased dramatically in the past year and it is likely that, in the coming months, South Africa's efforts to acquire loans will be even greater than in the past.

At least in the short term, South Africa has no choice but to seek ever larger loans to cover what has become a serious deficit in its balance of payments.

South Africa's economy has been heavily dependent on international trade to spur its growth. Annual imports are equal to about half of the country's gross domestic product. In the early 1970's, South Africa was able to meet its import needs with expanded exports, particularly minerals and agricultural products, and was assisted by a rapidly rising price for gold.

Supported by growing exports and a high price for gold, the Government committed itself to an ambitious program of publicly financed infrastructure projects. Its program called for increased imports and counted largely on a gold price of at least $175 an ounce and an expansion of exports to cover these imports.

Instead, South Africa's export market declined as its trading partners settled into a worldwide recession, and the price of gold fell precipitously. At the same time, new developments in Mozambique and Angola persuaded the Government that it needed to increase its defense budget to finance imported arms.

The Government was hard pressed to cover both its infrastructure commitments and its defense budget and was caught short. Its balance-of-payments deficit in 1975 was $2.26 billion. In 1976, the deficit is likely to be at least $1.6 billion.

South Africa has been forced to devalue twice in the past 18 months and may well have to devalue again in the near future. Its economic situation is aggravated by social and political problems which demand increased internal expenditure while making it more difficult for the government or private investors to find funds abroad.

The country's current debt to foreign banks is $5.5 billion. Its total debt is estimated at 16 percent of its GNP—greater than that of Brazil. As of mid-July, foreign exchange reserves had shrunk to less than $800 million—equal to less than 2 months of imports—and they were reported falling.

In August, South Africa went to the International Monetary Fund to request a standby arrangement which would permit it to purchase $172 million in foreign currency over the next year. In addition, the Government will have to undertake a large scale borrowing program.

In the last half of 1976, South Africa needs to service a public debt of $977 million, equal to 20 percent of its exports. Much of this may be rolled over with short-term loans of less than one year which will fall due again in 1977. The country already has some $200 million in private and public loans which fall due in 1977 and has $690 million in loans which need to be serviced in 1978, according to our research.

What this means is that South Africa will be looking increasingly to Western money markets to finance its debts. There are signs that this search has already begun. Reliable sources report that the South African Government has recently approached a number of U.S. banks seeking participation in a loan of $500 million.

It is probable that in the coming months, U.S. bankers will hear from South Africa with increasing frequency. New loans by U.S. banks will add to U.S. claims on South Africa that are already quite large.

PRESENT U.S. BANK INVOLVEMENT

What is U.S. bank involvement in South Africa now? Short-term claims against South Africa by banks operating in the United States amounted to $672 million in May 1976, according to our research.

Long-term claims amounted to $181 million. Loans to South Africa by branches of U.S. banks operating abroad amounted to $1.108 billion in June, for a total U.S. claim on South Africa of nearly $2 billion. Both short-term and long-term claims against South Africa have more than doubled since the end of 1974, literally since the end of last year, and claims by foreign branches are up to $500 million since September 1975.

In addition to loans, U.S. investors are participating in the South Africa Bond Market. Since the beginning of 1975, U.S. banks have managed bond offerings of close to $150 million.

The extensive lending by U.S. banks has certain implications for us in the United States. Certainly it is an important aspect of the U.S. commercial relationship with South Africa.

ECONOMIC STABILITY

Banks with large loans in South Africa have some interest in its continued economic stability. But its economic well being may depend in large part on its ability to respond to growing political and social unrest. Some observers have suggested that American bank interest entitles—in fact requires—that U.S. banks review concerns about South Africa's stability with representatives of the South African Government. At least one U.S. bank has already done so and expressed its belief that no further medium- or long-term loans should be made to South Africa until there is significant change in that country.

U.S. APARTHEID POLICY

Some critics argue that the United States should take a stronger stand in opposition to apartheid and that U.S. banks and lending agencies should cease all loans to South Africa. Several U.S. banks have responded to these urgings and have stopped loans to South Africa. But for the U.S. lending agencies to cease all loans would require a change in U.S. commercial policies.

One major aspect of these policies relates to the provision of export-import bank facilities in South Africa. Eximbank's total exposure in South Africa through its guarantee insurance and discount loan program is $297.8 million.

There have already been some efforts in the past year to change Ex-Im's policies in South Africa. In 1964, the United States set limits

on its export-import bank facilities in South Africa as part of its efforts to try to persuade the South African Government to change its policies in Namibia/southwest Africa. These restrictions were relaxed somewhat by the policies which grew out of NSSM 93 in 1970. One area in which there has been a possible relaxation of intent, if not of law, has been in the restrictions on direct lending. Since 1964, Ex-Im has made no direct loans to South Africa. But in 1970, it established, with a number of private banks and corporations, a bank, the Private Export Funding Corp. [PEFCO].

Since its inception, PEFCO has made $95 million in direct loans to South Africa, loans which are guaranteed and must be approved by Ex-Im.

Last spring, there was increased pressure from a number of U.S. corporations seeking a further expansion of export-import bank services in South Africa. An interagency study decided, at that time, that no change was required, but in light of recent events in South Africa, it is useful to take another look at these policies.

WITNESSES

We are very fortunate indeed in having with us today three witnesses familiar with aspects of U.S. loans and lending policies to South Africa. I quickly want to welcome Mr. George Vojta, executive vice president of Citibank for his willingness to come down and talk with us about their particular attitudes, policies and practices on this matter.

It is very important to us and we are grateful to him for agreeing to do that.

Also, particularly to Mr. Timothy Smith, executive director of the Interfaith Center on Corporate Responsibility, who will be speaking second; and then Mr. Stephan Minikes, senior vice president of the Export-Import Bank to talk to us about some of the items that I have mentioned in my opening statement with regard to export-import bank policies.

We will hear all three statements, starting with Mr. Vojta. Then we will have time for questions.

We would like to hold statements to about 10 minutes because we find that that way we get to ask more questions. I think there will be other members of the committee who will be here and who will want to ask questions, as well.

Let me say at the outset that your entire statement will be put in the record as if given. Everything you want to say, any supplementary documents you want to submit will be fine.

So with that, George, you go right ahead.

STATEMENT OF GEORGE J. VOJTA, EXECUTIVE VICE PRESIDENT, CITIBANK, NEW YORK, N.Y.

Mr. VOJTA. Thank you, Mr. Chairman. This is on?

Senator CLARK. Yes, the problem is that these microphones are very, very weak. You have to speak very loudly and directly into them to have any effect at all.

Mr. VOJTA. Thank you.

Mr. Chairman and members of the subcommittee, as mentioned, I am George Vojta, Executive Vice President of Citibank, in charge of the bank's International Banking Group. This group has responsibility for Citibank's overseas branch operations including those in South Africa.

I am here in response to an invitation from Chairman Sparkman to discuss our lending policy and decisionmaking process as they apply to South Africa. As requested, I have a short oral statement and a longer text which I would like to have entered into the record in full, as if read.

Senator CLARK. It certainly will be.

CITIBANK GENERAL APPROACH TO WORLD BUSINESS

Mr. VOJTA. In approaching this question, I believe the committee should understand something about our general approach to business all over the world; most succinctly, this can be summarized by quoting from a speech made by our chairman, Walter B. Wriston, in which he said as follows: "Our corporate mission to provide a full range of financial services everywhere in the world where we can do so legally—and at a profit."

In applying this general concept to our operations overseas, we have come to the point where we feel that we must observe four basic principles of operation. These principles were enunciated to another subcommittee of this committee in March of 1973, by one of our senior vice presidents, George J. Clark.

I would like to quote those principles to you for your recollection.

The first of these is that in operating in foreign countries, we must:

> Never lose sight of the fact that we are guests in those countries. We must conduct ourselves accordingly. Local governments can pass any kind of legislation, and whether we like it or not, we must conform to it.
>
> Under these circumstances, Citibank can survive only if we are successful in demonstrating to the local authorities that our presence is useful to them.
>
> We believe that each of these countries must find its own way, politically and economically. Sometimes we feel their policies are wise; sometimes we do not. But we try to function as best we can under existing conditions.
>
> We have the right and the obligation to discuss with local governments matters directly affecting Citibank interests, but we recognize that the local governments have full decisionmaking authority.

These general policies govern our operations all over the world, including those in South Africa. It should be clear then that our presence in any country, including South Africa, does not connote approval of South Africa's social or political system any more than our presence in the U.S.S.R. connotes approval of the Soviet system or of Communist ideology.

We operate in many countries in which the political or social system is uncongenial to American sensibilities. There are few, if any, countries which present more serious difficulties in this respect than South Africa.

But let me make my personal position clear: I regard South Africa's apartheid system as morally objectionable. I believe that people should be free to achieve their potential in accordance with their individual abilities, not on the basis of sex or race or other external characteristics.

I also believe that in the long run the apartheid system will prove damaging to South Africa's viability.

Inherent in our business philosophy, however, is the deep-seated belief that we earn our way as financial intermediaries by making a tangible economic and social contribution to the communities we serve. Accordingly, we think our presence in South Africa as an agent of economic development benefits all of South Africa's people.

By contributing to the creation of a pluralistic marketplace, we think we assist in the development of a more pluralistic social system. But our ability to influence the social and political setting in South Africa or in any other country is limited. In the strictly political context, there has to be one rule for American multinational corporations wherever they operate. This rule is: Hands off.

Our business strategy essentially is to treat all countries by the same judgmental standards. We assess our business prospects in all countries by the same judgmental standards. We do this by using what we call a country risk evaluation procedure. These assessments are developed from data on local business conditions, modified by judgments on economic, political, social, or international developments which affect the country's capacity to operate on a viable basis and to incur and service international indebtedness.

We use this procedure to determine the appropriate level of business exposure for Citibank in that country as well as the kinds of risks we consider best from our corporate perspective.

These procedures are described at considerable length in my prepared statement. I want to emphasize that the criteria employed in making the country risk assessments are exactly the same for South Africa as for West Germany, Brazil, or Brunei.

Citibank's management system permits an ongoing review of our business exposure in every country around the world, both by officers in the field and by top and senior managers in New York. The country risk assessment itself is repeated as often as needed but no less frequently than once a year.

Our local managers, of course, play an important role in the review process and in determining budgets for and the risk and resource allocations we make against the sectors in which we operate. Once overall ceilings and allocations have been established through plans, the field organizations have a considerable amount of autonomy in execution.

CITIBANK IN SOUTH AFRICA BACKGROUND

Now to our specific position in South Africa. We have been there since 1958. On the basis of published data, Citibank is the 12th ranking bank in South Africa.

The top five banks—Barclays and Standard, which are British controlled; the Vokskas, Trust Bank, and Nedbank, which are publicly held local institutions—account, collectively, for approximately 87 percent of total bank assets in the country.

According to published figures, we account for about four-tenths of 1 percent of total assets of the banking system and about 1 percent of the total risk assets, which means basically loans.

Our South African subsidiary has a capitalization of 10 million rand, or approximately $11.5 million. Under South African law, that

means that our local liabilities are limited to 160 million rand, that is to say a ratio of 16 to 1. In addition, we make loans in foreign currencies. Because we are an international bank with a worldwide network of branches, subsidiaries, and affiliates, and because that is where our expertise is greatest, our foreign currency loan portfolio tends, in many countries, to be larger absolutely than our local portfolio.

That is currently the situation in South Africa.

About 15 percent of our total loans in South Africa are booked to U.S. multinational corporations, about the same proportion to non-U.S. multinationals and most of the remainder to South African firms and to Government corporations engaged in specific development projects.

We also have a small commitment to the South African Government itself, for general purpose financing.

What we do in South Africa helps to provide employment for South Africans, of all persuasions and from all communities. Our major contribution is, of course, made indirectly through the firms we service. However, in terms of our own employment, we have tried throughout our 18 years in South Africa to pursue policies which we believe are the most progressive in the financial industry. As suggested by Senator Clark, these policies have been described in my prepared text but will not be discussed in my oral presentation.

U.S. WITHDRAWAL FROM SOUTH AFRICA

I do want to say, however, that we believe our employment policies have furnished an example which other institutions in the financial industry have followed.

We recognize that a number of Americans sincerely believe that U.S. investment in South Africa indirectly supports the apartheid system. While we understand this point of view, it is certainly not shared by all opponents of the South African regime.

Many take the position that withdrawal of U.S. business from South Africa would sharply worsen the economic plight of the black population without materially weakening the influence of those who are most hostile to black aspirations.

In my prepared statement, I have quoted briefly a number of critics of the apartheid system on this subject. In my oral testimony, I will limit myself to quoting one of our directors, Franklin A. Thomas, president of the Bedford-Stuyvesant Restoration Corp., and a leader of the black community in this country.

Mr. Thomas recently visited South Africa, together with our president, William I. Spencer, and Vernon E. Jordan, Jr., executive director of the National Urban League.

Mr. Thomas has authorized me to say on his behalf:

> If I believed that the withdrawal of American business from South Africa would advance the cause of equality and help dismantle the apartheid system, I would be withdrawal's most ardent advocate.
>
> However, from all the conversations I have had with black and white South Africans who are directly affected by the system and from all the evidence I have seen to date, I am not persuaded that withdrawal would help achieve that result.
>
> On the contrary, the consensus opinion expressed to me by blacks in South Africa was that American business should remain and work to change the apartheid system through its own business practices. They felt that withdrawal

would constrict the economy and such constriction would have a disproportionately adverse effect on blacks.

I would also, Mr. Chairman, like to enter into the record a copy of the speech made by Mr. Jordan, subsequent to his return from that visit.

Senator CLARK. We would be pleased to have that. Incidentally, did Mr. Jordan take a position on direct loans in that statement?

Mr. VOJTA. Not in this statement.

Senator CLARK. Do you know if he has? I am just curious. He is a very well-known authority on that subject. I know that he has been mentioned to me by Governor Carter as one of his principal advisers. Do you know if he has ever taken a position on direct loans?

Mr. VOJTA. I don't recall a specific statement on direct lending, but I believe the context of his general approach would be that business operations across the spectrum in his view should continue.

[As of the date of publication, the information referred to had not been received.]

Mr. VOJTA. That completes my statement. Of course I will be happy to answer questions.

[Mr. Vojta's prepared statement follows:]

PREPARED STATEMENT OF GEORGE J. VOJTA

Mr. Chairman and members of the subcommittee, my name is George J. Vojta. I am Executive Vice President of Citibank, in charge of the International Banking Group. This group has responsibility for Citibank's overseas branch operations, including those in South Africa. I have been with Citibank since June 1961 and in my present position since October 1973.

My job is essentially that of chief administrative officer for overseas operations, which means that I receive, analyze and approve or disapprove business plans, profit projections and resource requirements for the offices in our overseas network, subject to review by top corporate management.

I appear here today in response to the August 30 letter of invitation from Chairman Sparkman. My testimony will deal mainly with overall policy matters. If you wish to get into further detail about our South African operations, I may have to supply that for the record.

Citibank has been overseas since 1902, and we currently operate in 104 countries. Directly and through our 49 percent ownership both in Grindlays Bank and in Banque Internationale pour l'Afrique Occidentale, we are represented in 27 African nations. South Africa is one of nine African countries in which we operate directly. We do substantially more business with the rest of Africa than with South Africa. Currently our business in black Africa is growing at a faster rate.

Our wholly-owned South African subsidiary, Citibank, S.A., maintains branches in Cape Town, Durban, Johannesburg and Pretoria. We have been in South Africa since 1958. Because of competitive and regulatory conditions, we have developed in South Africa, as elsewhere on the continent, mainly a wholesale banking business.

The subcommittee has indicated that it is mainly interested in our lending policy and decisionmaking processes as they apply to South Africa. Our policies and procedures are the same in South Africa as they are elsewhere in the world. To quote from a speech by our chairman, Walter B. Wriston, to the New York Society of Security Analysts on February 22, 1973, we regard it as "our corporate mission to provide a full range of financial services everywhere in the world where we can do so legally—and at a profit."

With regard to the application of this strategy, I want to quote what one of our senior vice presidents, George J. Clark, said three years ago (March 28, 1973) in testimony before the Subcommittee on Multinational Corporations of this same committee:

"I have been requested to outline the policies governing Citibank operations in Latin America, which, of course, parallel our policies for other parts of the globe. These may be summarized as follows:

"1. We must never lose sight of the fact that we are guests in foreign countries. We must conduct ourselves accordingly. Local governments can pass any kind of legislation, and whether we like it or not, we must conform to it.

"2. Under these circumstances, Citibank can survive only if we are successful in demonstrating to the local authorities that our presence is useful to them.

"3. We believe that each of these countries must find its own way, politically and economically. Sometimes we feel their policies are wise; sometimes we do not. But we try to function as best we can under existing conditions.

"4. We have the right and the obligation to discuss with local governments matters directly affecting Citibank interests, but we recognize that the local governments have full decisionmaking authority."

As you know or might readily guess, that statement was made in connection with the Church subcommittee's investigation of the role of U.S. business during the Allende regime in Chile. When Mr. Clark completed his testimony 3½ years ago, Chairman Fulbright congratulated him for saying that every country must find its own way politically and economically. He said: "That is a very sound principle." Senator Percy said he hoped Citibank's principles "would be followed by many companies," and Senator Church suggested that "it might even prove possible in the future to make such a set of guidelines or set of principles a part of an international convention."

Those principles apply in South Africa—indeed, all over the world, wherever we do business—as they applied in Allende's Chile. Our presence in South Africa does not connote approval of South Africa's social or political system, any more than our presence in the U.S.S.R. connotes approval of the Soviet system or of Communist ideology.

We operate in many places around the world where the political or social system is uncongenial to American sensibilities. There are few if any places in the world which present more serious difficulties in this respect than South Africa. Let me make my personal position clear: I regard South Africa's apartheid system as morally objectionable.

I believe that people should be free to achieve their potential in accordance with their individual abilities, not on the basis of sex or race or other external characteristic. I also believe that, in the long run, the apartheid system will prove damaging to South Africa's viability.

Inherent in our business philosophy is the deep-seated belief that we earn our way as financing intermediaries by making a tangible economic and social contribution to the communities we serve. Accordingly, we think our presence in South Africa as an agent of economic development benefits all of South Africa's people.

By contributing to the creation of a pluralistic marketplace, we think we assist in the development of a more pluralistic social system. But our ability to influence the social and political setting in South Africa or in any other country is limited. We can affect the situation only in degree. In the strictly political context, there has to be one rule for American multinational corporations wherever they operate. That rule is Hands Off! I do not believe that the Senate Foreign Relations Committee, above all other committees in the United States Congress, would want Citibank, as an American multinational corporation, to impose our political or moral judgments on other sovereign governments.

Essentially, our business strategy is to treat all countries by the same judgmental standards. We do this on the basis of what we call a country risk evaluation procedure—developed from data on local business conditions, modified by judgments on economic, political, social or international developments which affect the country's capacity to operate on a viable basis and to incur and service international indebtedness. We use this procedure to determine the appropriate level of business exposure for Citibank in that country as well as the kinds of risks we consider best from our corporate perspective.

I want to emphasize that the criteria employed in making the country risk assessment are exactly the same for South Africa as for West Germany, Brazil or Brunei.

The following material, which is taken directly from Citicorp's Annual Report for 1975, is a reasonably detailed description of our decision-making procedures and of the economic and other factors that we take into account in making country risk judgments.

MANAGEMENT OF COUNTRY RISK

Management of Citicorp's country and cross-border risk is the responsibility of two key groups of people:

1. Officers in the field: The men and women of Citicorp managing the business in their respective countries provide the knowledge of local conditions that can be attained only by being an integral part of the economy of the country in which they are domiciled. By being actively involved locally, Citicorp is better able to anticipate and respond to changes in local conditions. Citicorp has a direct presence in over 100 countries. More than 99 percent of Citicorp's total loan outstandings at year-end 1975 were to borrowers located in a country in which Citicorp has its own officers on a full-time, permanent basis, participating day-to-day in the business and economic life of the country.

2. Head office management: Top and senior management add both perspective and experience to the judgment and recommendations made by the field. Mr. G. A. Costanzo, Citicorp's vice chairman and formerly head of the International Banking Group, has top management responsibility for country risk exposure. Prior to joining Citicorp, Mr. Costanzo had broad experience in international financial affairs with the U.S. Government and the International Monetary Fund. The evaluation and administration of Citicorp's country risk and cross-border program on a global basis are the primary responsibility of Dr. Irving S. Friedman, senior vice president and senior advisor for international operations. Dr. Friedman joined Citibank in 1974 after a career with the IMF and World Bank during which he served as a director of the IMF and initiated, organized and administered for both organizations the country consultation and review programs for member countries. Dr. Friedman is supported in New York by experienced international bankers, most of whom have served many years in the field. Visits to overseas countries are frequent and continuous communication is maintained with senior officers overseas.

THE REPORTING SYSTEM

Citicorp has in place a systematic process of establishing limits of country exposure and of monitoring outstandings under these limits through its reporting system. Citicorp's reporting system captures outstanding cross-border exposure by country. It should be noted that when a Citibank branch deposits funds in another Citibank branch in a different country, the transaction creates country risk but does not involve a credit risk. Cross-border contingent liabilities are also captured by the reporting system. ("Contingent liabilities" include principally commercial credits and formally committed but unutilized lines of credit.) Certain cross-border assets and contingent liabilities may not involve country risk; these include transactions guaranteed by the Export-Import Bank of the United States, Overseas Private Investment Corporation and U.S. corporations. These assets are reported, however, to insure that management has a complete picture of Citicorp's position in each country throughout the world.

Citicorp's cross-border exposure subject to country risk in any given country is not allowed to exceed a predetermined ceiling approved by senior management. A separate sub-ceiling is established for maturities in excess of one year. Cross-border exposure is reported quarterly for all countries and additional qualitative information is required monthly for countries experiencing rapidly changing conditions. The cross-border reports provide data on maturities and classes of obligor. With this information, management is able to assess Citicorp's overall exposure because risk varies with tenor, obligor and other factors.

MONITORING AND MANAGING CITICORP'S CROSS-BORDER EXPOSURE

Citicorp's reporting system provides management with the information needed to manage as well as monitor its cross-border exposure in all countries. The objective is to anticipate national and international developments, within or outside the control of the sovereign country, which may adversely, or favorably, impact each country in which we do business. The ability to respond rapidly to changes in local conditions is critical to long-term profitability in international financial operations.

Responsibility for the management of cross-border exposure is clearly delineated with regard to: reporting of cross-border exposure on a country-by-country basis; control of outstandings; establishment and changes in ceilings and sub-ceilings.

Reporting.—A report is prepared by the senior officer in the field responsible for each overseas country aggregating Citicorp's cross-border exposure involving that country.

Controls.—All Citicorp entities outside the country of the prospective borrower require approval from the Citicorp senior officer in the field responsible for the

borrower's country of residence before cross-border transactions are consummated to ensure that outstandings are maintained within limits established.

Establishment and changes in ceilings and maturity sub-ceilings.—Setting cross-border ceilings and maturity sub-ceilings for each country is the responsibility of senior management at head office based on recommendations from the Citicorp senior officer in the field responsible for that country. Ceilings and sub-ceilings are subject to continuing review and adjustment. It should be noted that the ultimate decision for setting cross-border ceilings is external to the management of the country involved.

Four principal factors form the basis for judgments used to establish cross-border ceilings:

Evaluation of the needs and capabilities of Citicorp's client base in each country.

Analysis of the varying business characteristics, such as classes of borrowers, investments, guarantees, transactions and accompanying tenors, in any one country.

Anticipation and/or analysis of national and international events which may impact Citicorp in any country.

The application of quantitative and qualitative techniques to the information available to Citicorp worldwide.

INFORMATION USED TO FORM JUDGMENTS ON COUNTRY CONDITIONS

1. *Monitoring of country conditions*

Domestic economic conditions, outlook and policies.
Balance of payments and management thereof.
Other international, economic and financial aspects.
Principal economic sectors—trends and prospects.
Flow of funds and financial intermediation—actual and potential.

2. *Monitoring of other elements needed for country assessments and judgments*

Poltical conditions and outlook.
Social conditions.
International position and relations.
Impact of world events—economic and political.

3. *Statistical indicators of national creditworthiness*

Debt service ratios, e.g., debt service to export receipts, debt service to GNP, etc.
Rates of growth of exports.
Export diversification.
Variability of export earnings.
Per capita income—amount and rate of growth.
Imports in relation to GNP.
Compressibility of imports: total consumption imports in relation to capital imports.
Changes in level of monetary reserves.
Growth in external debt and debt servicing—total and individual components.
Foreign investment in relation to total investment.
International monetary reserves in relation to: external debt servicing; categories of imports and other payments; available credit facilities with international agencies.
Profile of existing debt.

FACTORS THAT REDUCE COUNTRY RISK

Maturity scheduling

Since risk increases with the length of the obligation, determinations of maturity—scheduling is an integral part of Citicorp's asset management. The majority of Citicorp's loans outside the United States mature in less than one year; longer maturities are specifically and closely controlled and limited to stronger borrowers. Short maturities permit relatively rapid reduction in exposure as conditions change.

Self-liquidating transactions

Risk is also significantly reduced, regardless of maturity, where the financing is directly related to a self-liquidating transaction. Most import-export trade financing, including commercial credit, is of this type. Citicorp's network of offices

in the key money and trade centers of the world, and its experience in financing trade transactions of all kinds, lead naturally to a large proportion of customers who are engaged in trade transactions.

Guarantees

A major component of Citicorp's loan portfolio outside the United States consists of loans to subsidiaries of multinational corporations, some of which are guaranteed by the parent company. In the case of loans to quasi-public entities, the guarantee of the government and/or the central bank of the country may be required. It should be noted that Citicorp has never in its history experienced a loss where a loan has been guaranteed by a central bank. At times a guarantee from national export-promoting organizations such as the Export-Import Bank of the United States is obtained. In specific situations protection may be provided in the form of readily marketable collateral.

Money market access

Governments throughout the world generally give high priority to their international creditworthiness. This is particularly important to developing nations that require continuous access to credit markets to provide financing for internal growth and improvements in the standard of living of their people. Lending to governments to finance infrastructure, development of natural resources or balance-of-payments deficits usually involves lending for periods of several years. Term lending, whether to foreign governments or industrial companies, frequently involves changes in terms, conditions and maturities, as economic events change from those originally anticipated.

SUMMARY

A variety of warning signals usually appear before a nation's economy experiences material adverse changes. Careful monitoring generally enables Citicorp to protect its position by taking early corrective action. These actions include reducing or suspending country ceilings and maturity sub-ceilings. As the maturity of much of Citicorp's loan portfolio outside the United States is short term, an exposure can usually be reduced quickly when conditions begin to deteriorate.

Citicorp has established a worldwide system for managing and controlling its exposure around the world. Diversification of risk is the guiding principle. Each cross-border ceiling is carefully reviewed in relation to aggregate loan totals and to capital. Profit opportunities are always subordinated to the principle of avoidance of excessive country risk. Citicorp's long-term profitability is directly related to its ability to manage all aspects of international risk and to capitalize on the opportunities afforded by its global network of offices and extensive experience.

That completes the extract from the Annual Report. If members of the subcommittee have any questions about our decision making procedures and criteria, I will be happy to elaborate.

Citibank's management system involves an on-going review of our exposure in every country around the world, both by officers in the field and by top and senior managers in New York. This includes constant communication between local managers and senior officials in regional and corporate headquarters and numerous personal visits back and forth. In addition to the on-going review process, the basic country risk assessment itself is repeated as often as needed but no less frequently than once a year.

Our local managers, of course, play an important role in the review process and in determining budgets and sectoral allocations of risk. Once overall ceilings and allocations have been established, they have a considerable amount of autonomy in execution. Individual loans originate on the scene and may be approved locally under Citibank's system up to limits which depend entirely on the credit experience of the senior loan officer in the country and the quality of the support available to him. Again, these criteria apply to all countries in exactly the same way. That is to say, the approval limit is attributed to the senior loan officer rather than to the country in which he serves. Loans exceeding that officer's limit will require endorsements from other senior credit officers in regional locations or at the home office.

Now, as to South Africa: In terms of size, on the basis of published data, Citibank is the 12th ranking bank in South Africa. The top five banks—Barclays and Standard, which are British-controlled, the Volkskas, Trust Bank and Nedbank, which are publicly held local institutions—account collectively for approximately 87 percent of total bank assets. We account, according to the published figures,

for about 0.4 percent of total assets of the banking system and about 1 percent of total risk assets. Citibank provides a range of services to corporate clients, including local and foreign acceptance financing, term loans, exchange transactions, deposit, payment and letters of credit services.

Our South African subsidiary has a capitalization of 10 million rand or $11.5 million. Under South African law, that means that our total liabilities (i.e., rand-denominated transactions) are limited to R160 million, a ratio of 16:1. Local funding is obtained from banker's acceptances, certificates of deposit, negotiable certificates of deposit and customer deposits with our South African branches. In addition, we make loans in foreign currencies. At the present time our foreign currency portfolio is about 87 percent in Eurodollars, 10 percent in U.S. dollars and 3 percent in other currencies. Because we are basically an international bank, our foreign portfolio tends in many countries to be larger absolutely than our local portfolio. That is currently the situation in South Africa.

About 15 percent of our total loans in South Africa are booked to U.S. multinational corporations, about the same proportion of non-U.S. multinationals, and most of the remainder to South African firms and to government corporations engaged in specific development projects. We also have a relatively small commitment to the South African Government itself for general purpose financing.

As I trust I have made sufficiently clear, Citibank's operations around the world are subject to uniform standards. While we strive, successfully we hope, to tailor our activities to the requirements and nuances of the local economy, it is our aim to apply exactly the same judgmental standards everywhere in the world. Our resources, though large, are not infinite. Over time, we are trying to maximize our rate of return. Therefore, if resources were to be deployed in one country under a less exacting standard than that applied to other countries, the effect would be to misallocate our resources and fail to optimize results and minimize risks. Clearly, however, since conditions differ between countries, the same judgmental standard produces different results in terms of our country risk evaluations.

In our experience, banking opportunities exist only where it is possible for us to make a genuine economic contribution. Insofar as South Africa is concerned, what we do helps to provide jobs for South Africans, including blacks, so-called "coloureds" and Asians as well as whites.[1]

Our major contribution is, of course, made indirectly through the firms we service. We exercise direct control, however, over our own employment policies, and during our 18 years in South Africa we have attempted to do all we can to improve the situation of our own non-white employees. At present, we have 215 employees, of whom 46 (21 percent) are non-white. We think our employment policies are the most advanced in the banking industry.

Obviously, since we are a small employer, we cannot affect many lives this way. But I believe it is accurate to say that Citibank's influence on the employment practices of the South African financial community has been greater than our relative size might lead one to anticipate. Insofar as it is possible in the South African context, Citibank has attempted to put into practice the same employment practices as we follow elsewhere in the world. Non-whites in South Africa do not tend to be as well-educated or as well-trained as whites, and there are, as you know, legal bars to their employment in certain kinds of jobs. However, we have followed a policy of upgrading our non-white employees wherever possible and of bending apartheid laws to the maximum feasible extent.

Non-whites currently are 21 percent of Citibank's total employment in South Africa and non-whites hold about 9 percent of clerical positions. There were no non-white clerical employees in 1971. Two non-whites are employed as supervisors in the Printing Department and Mail and Stationery Department. Citibank was the first bank to assign such positions to non-whites. Additional non-white employees are being employed and trained for jobs at similar levels.

Since entering South Africa in 1958, Citibank has followed the policy of giving equal pay for equal work without regard to race. Until September 1971, no other bank did so. Barclays and Standard Bank, the two largest banks in South Africa, have since announced that they will pay black clerical workers the same as whites.

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[1] South African usage describes four racial categories: whites, blacks, "coloureds" (mixed parentage) and Asians. We have used the term nonwhite to stand for the three categories other than white.

Between 1960 and 1974, the average starting salary for our white employees more than doubled, while average starting salaries for black employees more than quadrupled, reflecting further the fact that non-whites are being hired to do jobs that were not open to them a decade earlier.

We employ a small but significant number of non-whites at grade levels higher than those of some white employees. However, because of South African custom, whites have been unwilling to accept supervision from nonwhite employees and this is a serious bar to black advancement.

In January 1976 Citibank's average monthly salary for non-white employees stood at 256 rand, more than twice the Minimum Living Level measurement of R112 per month ($129) which has now replaced the Poverty Datum Line Calculation formerly prepared by the Johannesburg Chamber of Commerce to reflect standard cost for a family of five living in Soweto. However, Citibank employs a different calculation as a guideline for paying its non-white staff, and our standard of what constitutes a living wage is substantially higher than the Minimum Living Level. It currently stands at 168 rand.

The fact is that Citibank pays its beginning white employees salaries competitive with those paid for comparable jobs elsewhere in the economy. On the equal-pay-for-equal-work principle, we therefore pay our non-white employees much more on the average than they would earn elsewhere. This practice, together with a policy of promoting from within, has helped assure Citibank a high grade, productive staff and has come to influence the pay and promotion practices of other financial institutions.

Fringe benefits at Citibank are identical for all employees. These include contributory medical aid and pensions, vacation (18–27 days, depending on length of service)[2] sick leave, preferred-rate housing and personal loans, tuition refunds, group life insurance, pensions and a stock purchase plan.

When Citibank sought to adopt a pension plan for non-white employees shortly after bargaining operations in South Africa, it encoutered sharp resistance from the insurance industry. After a protracted battle lasting more than three years, Citibank won its point and became the first bank to institute a pension plan for non-white employees.

Today there is equal participation in both the group life assurance program and the pension plan. A new, mandatory pension plan went into effect June 1, 1973, whereby each employee must contribute 5 percent of his or her salary, but the bank is paying the employee's contribution, as well as its own, for those in the lower grades.

Staff loans are offered at the same interest rate to all employees, with nearly half of the non-white staff currently participating.

Citibank pay for books, uniforms and all educational expenses of its employees' children who do not qualify for free tuition outside of the bank. It pays through the final year of high school up to 75 rand per pupil and a maximum of 300 rand per family.

Medical coverage is provided free for Citibank employees in the lower grades, but cost of the coverage gradually shifts to the employee as his salary increases.

While training of bank employees occurs mainly on the job, recently for the first time one non-white employee was sent to the bank's credit training centre in Athens, Greece. The bank has begun to use an outside training program and is reviewing others in the hope that more will be made available.

Additionally, the bank offers a tuition rebate for all employees who pass outside courses of study. For employees who cannot make the initial payment, costs are paid by Citibank in advance.

As part of a continuing program, Citibank is currently providing three medical scholarships to non-whites at the University of Natal. The students are in their first, fourth and fifth years of study respectively. In addition two full bursaries are provided for two non-white BA degree candidates. These bursaries pay for all expenses including tuition, room and board and a monthly living allowance.

To improve communications within Citibank, a system known as "two down" has been introduced, whereby all officers communicate at least once quarterly with each individual two organizational levels below their own. Officers discuss such matters as work preferences, complaints and employee aspirations.

From the outset, Citibank ignored South African custom and insisted upon maintaining non-segregated work areas and non-segregated banking facilities.

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[2] The general practice in South Africa is to allow two calendar weeks vacation to non-white, nonclerical employees.

We have no separate entrances for black customers and no separate teller windows. Black messengers and white executives come in through the same doors and cash or deposit checks at the same window. South African law requires availability of separate dining, recreational and toilet facilities for whites, blacks, "coloureds" and Asians. Citibank's quarters, all rented, include the required number of facilities, but as a matter of policy we do not employ racial signs and do not segregate.

While we do not want to over-emphasize this, it is a fact that other banks have followed our example and now offer integrated working and banking facilities.

In brief, we have tried to make a contribution on our own that would improve the lives and prospects of our own black employees and that would create an example for others in the business. We think we have done that.

We recognize that none of this is likely to impress those Americans who believe sincerely that U.S. investment in South Africa indirectly supports the apartheid system. A number of organizations have strongly urged U.S. companies, including our own to withdraw from South Africa in the belief that such action would exert pressure on the South African government to change its racial policies. Even if the impact of U.S. withdrawal would be relatively small, it is argued, United States companies ought not to be morally implicated in apartheid.

While we understand this point of view, it is certainly not shared by all opponents of the South African regime. Many take the position that withdrawal of U.S. business from South Africa would sharply worsen the economic plight of the non-white population without materially weakening the influence of those who are most hostile to non-white aspirations.

These critics argue, on the contrary, that economic development in South Africa creates pressures for social change. Consequently, the best course is for U.S. business to stay on in South Africa, working to improve the situation of its non-white employees and trying, wherever possible within the law, to reduce the impact of apartheid on the lives and economic condition of non-white people.

As has been pointed out by John Blashill, Time Magazine's bureau chief for Africa, "Those who cry 'Abandon Ship' have not consulted the passengers. Many of South Africa's blacks, on whose behalf the issue is supposedly being fought, want U.S. business to stay."

For example, Chief Gatsha Buthelezi, Paramount Chief of the Zulus: If overseas investors "withdrew from South Africa, blacks would be deprived of jobs which were essential and vital to their livelihood." Mrs. Lucy Mvubelo, general secretary of the 14,000 member National Union of Clothing Workers: "I feel that if (overseas companies) withdraw, it will lower the standard of living here, and Africans will be the first to suffer." We believe the views of these black South African leaders, which have been reported by many American visitors to South Africa, must be given appropriate weight.

Laurence Gandar, the liberal South African editor who has gone into exile, has suggested that the concept of a total foreign withdrawal from South Africa "belongs to the realm of fantasy, nothing else." He went on: "Any investments withdrawn by British or American interests would be rapidly replaced from other foreign sources and in any case, because of the strict exchange controls prevailing, this capital could not be taken out. . . . But I believe that in the business sphere . . . there is a lot that can be done to bring about improvement in conditions in South Africa. . . . The best hope of ultimate change is to help create the pre-conditions of change, by raising the tone and quality of life in such a way as to make it easier for major change to come about from within South Africa itself."

Roy Wilkins, the executive director of the NAACP, told the New York Times following a visit to South Africa in 1972 that he thought American companies should remain in South Africa, but only if they work to improve the conditions and employment opportunities of the non-white population.

More recently, Vernon E. Jordan, Jr., executive director of the National Urban League, in an August 1, 1976, speech reporting on his recent trip to South Africa, said: "The black South Africans I met were unequivocable in their opinion that American corporations should not withdraw from South Africa. They told me they need the jobs those corporations bring. But they also told me those corporations should make better use of their economic clout to pierce the walls of apartheid."

Mr. Jordan's views are especially interesting to us because he made his trip with a group which also included Citibank's President, William I. Spencer, and

one of our directors, Franklin A. Thomas, President of the Bedford-Stuyvesant Restoration Corporation and himself a leader of the black community. Mr. Thomas has authorized me to say on his behalf:

"If I believed that the withdrawal of American business from South Africa would advance the cause of equality and help dismantle the apartheid system, I would be withdrawal's most ardent advocate. However, from all the conversations I've had with black and white South Africans who are directly affected by the system and from all the evidence I have seen to date, I am not persuaded that withdrawal would help achieve that result.

"On the contrary, the consensus opinion expressed to me by blacks in South Africa was that American business should remain and work to change the apartheid system through its own business practices. They felt that withdrawal would constrict the economy and such constriction would have a disproportionately adverse effect on blacks.

"There was also the sentiment that if American business withdrew, American attention to the problems of apartheid would lessen, and this would have longer term negative effects upon blacks."

That completes our prepared statement. I will be happy to answer your questions and to discuss the other issues on which Chairman Sparkman indicated that we should be prepared to speak.

Senator CLARK. I see I am in the very last stages of a vote. I will have to recess for about 5 or 6 minutes and go vote. I will be right back.

[A recess was taken.]

Senator CLARK. It looks like we are going to have a busy morning vote.

So you will have to excuse the interruptions. We will do the best we can as we go along.

I mentioned to Senator Biden, we had just finished the testimony of Mr. Vojta, executive vice president of Citibank in New York. Now we will hear from Mr. Timothy Smith, executive director, Interfaith Center on Corporate Responsibility, related to the National Council of Churches based in New York. You will have 10 minutes.

Following Mr. Smith, we will hear from Mr. Minikes, who is senior vice president of the Export-Import Bank.

Senator BIDEN. Before the committee begins, Mr. Chairman, I would like to apologize for not having been here. The Intelligence Committee had an executive session, briefing by the CIA. I felt compelled to find out what we were doing. I apologize for not having been here.

Senator CLARK. Not at all. We are pleased that you came, Senator Biden.

STATEMENT OF TIMOTHY H. SMITH, DIRECTOR, INTERFAITH CENTER ON CORPORATE RESPONSIBILITY, NEW YORK, N.Y.

Mr. SMITH. For the record, my name is Timothy Smith. I am director of the Interfaith Center on Corporate Responsibility [ICCR], which is a church coalition composed of 14 Protestant denominations and over 120 Roman Catholic orders concerned about the social responsibilities of corporations. One of the major priorities in the life of this coalition has been the question of U.S. investment in South Africa. I think I should be clear today that in testifying that it would be presumptuous and mistaken to imply that I am speaking for all of these Roman Catholic orders or Protestant denominations. However, I do feel I can accurately reflect the positions taken by many of these churches over the years. The vast majority of these churches and orders are on record through resolutions, words, and actions as opposing bank loans to South Africa.

U.S. BANK LOANS

For the last 10 years, the issue of U.S. bank loans to South Africa has been a clear focus for these church bodies. Documents provided for the record of this hearing include resolutions from the late 1960's from the conventions, synods and assemblies of several major Protestant denominations. In the early 1970's, ICCR published a document called the Frankfurt Documents which detailed a series of loans to the South African Government agencies by American, European, and Japanese banks.

These loans were orchestrated by the European American Banking Corp. Under pressure, one bank, Maryland National, did an extensive review regarding its loan policy toward South Africa. On March 27, 1974, the bank released its new policy. First, it said Maryland National Bank does not believe in or support apartheid which is the official policy in South Africa. Second, in order not to convey the impression that we support Africa's policy of apartheid, the bank will neither make nor participate in loans to the Government. In order that there be no confusion and that our position in this request be perfectly clear, we will divest ourselves of the South African Government loans presently on our books.

First Bank of Pennsylvania made a similar statement later on and indicated that it would not make loans to companies for investment expansion in South Africa.

Mr. Chairman, the testimony that I put before you——

Senator BIDEN. Excuse me. Did Maryland National also say they would not make loans to companies or just not make loans directly to South African Government?

Mr. SMITH. Their stand was directly to the South African Government.

Senator BIDEN. The Bank of Pennsylvania went further?

Mr. SMITH. Correct. First Bank of Pennsylvania went a step further.

In the testimony that I put before you in written form, we try to outline some of the rationale against such loans. It seems clear to us that the provision of foreign capital to South African Government agencies and private concerns in South Africa results in the end in support for white minority rule and the status quo.

SOUTH AFRICAN ECONOMY

The first point we make in underlining this theme is this. In looking at the South African economy, we should be clear that it is an economy directed by political as well as economic factors.

We can be safe in assuming that the nationalist party and the white minority is designing their overall economy to bolster political positions for themselves and not to weaken it. Obviously foreign loans must fit into the overall scheme decided by the nationalist government.

Second, it is clear to us that it is a tremendous moral boost for white South Africans to feel that the "white anticommunist Christian West" as they categorize it, so often, may condemn apartheid in the halls of the United Nations but are willing to do business as usual with them in critical economic areas.

They knew they can count on United States, European, and Canadian banks to provide capital and that public condemnation of apartheid will not inconvenience essential business relationships.

Why then should the South African Government take seriously the protest and opposition of America? What incentive is there for the white minority to want to share political and economic power when they know that apartheid is profitable for them and is likely to remain so?

Mr. Chairman, another point that you have outlined in your beginning comments is the present instability in South Africa, the fact that the economic situation has changed drastically over the last several years.

One good account of this economic crisis is reported in the August 14, 1976, edition of the Economist. We believe that such loans give relief to South Africa in the midst of this balance-of-payments crisis and, moreover, the fact that major U.S. banks are willing to make sizable loans is an indicator of investor confidence. This bolsters South Africa's credit rating internationally.

To make such loans now is to flash a signal that U.S. banks have faith in South Africa's economic and social future. Let us also be clear and not deceive ourselves that a loan to a parastatal agency such as ESCOM [Electricity Supply Commission] can simply be classified as a loan for electric power. It is a loan directly to an agency of the apartheid government that helps that government balance its overall budget.

Foreign loans thus insure that the overall budget is in a strong position and the economy viable.

I do not feel that it is an overall statement to say that U.S. bank loans subsidize South Africa's military capability and thus are a direct resourcing of machinery for oppression of the black majority.

UNITED STATES/SOUTH AFRICAN ECONOMIC RELATIONSHIP

Hundreds of millions of dollars of U.S. loans and $1.5 billion in investments create what we could call an American vested interest in South Africa. In a sense, the United States becomes mortgaged to South Africa. As in any major mortgage relationship, the bank has considerable interest in the financial health and well-being of the person paying the mortgage. We become a de facto partner in the project.

Certainly U.S. banking circles would not be happy if racial strife grew even more extensive in South Africa and economic chaos resulted. They have a vested interest in economic and social stability.

We go on to say, Mr. Chairman, that we believe that this vested interest leads to statements and positions by the bank that tend to promote a prowhite position in South Africa. We have noted the statements by Citibank and many other banks encouraging us to believe that things are changing for the better in South Africa.

We believe that the facts and recent history indicate exactly the opposite.

Inevitably, the vested interests of banks or companies affects U.S. policy. The architects of U.S. policy we think look at a series of factors,

but high among them must be the economic relationship between the two countries.

With such a large vested interest, our Government would be loathe to seriously antagonize a commercial ally or to jeopardize U.S. business interests in the region. Our loans and investments become a virtual magnet, drawing U.S. policy toward a don't-rock-the-boat-too-seriously position.

NAMIBIA

Another point that needs to be made today is the implication for Namibia. As we all know, Namibia is illegally occupied by South Africa. However, since South Africa treats Namibia as an integral part of the Republic, it also extends the powers of the departments and parastatal agencies into Namibia. I do not believe that any banks have any criteria or limitations on the use of any of their loans by the parastatals as they extend themselves into Namibia.

LOANS TO BANTUSTANS

A very, very important point to stress today, of course, is the question of the loans to the Bantustans. Citibank is reported to be part of a $14 million loan to the Transkei, which I would class as the first sham homeland to become independent in the near future.

The decision to recognize the Transkei as you well know is a highly controversial issue and a number of congressional representatives have called on President Ford not to recognize the Transkei.

Unfortunately, Citibank may have beaten us to the punch. Through their participation in this loan, Citibank has given endorsement to the apartheid system, both in practice and in theory. This, let us be clear, has been noted by South Africa as they have cited this loan as one example of the ways in which the Transkei will be legitimized. Yet Citibank is voting with its checkbook, showing support for the Transkei and I would argue implicitly endorsing the concept that 13 percent of the land is the legitimate homeland of the black majority.

We have heard Citibank tell us today that they are politically neutral. This has been the position of many U.S. banks over the last 10 years in regards to the South Africa question. I think that the example of the loans to the Transkei demonstrate the shallowness of this particular position.

In addition, when we recognize that ESCOM is planning to build two nuclear reactors, the political seriousness of such a loan takes on even greater weight. Recently, pressure in Congress insured that GE did not get an offer to participate in building new nuclear reactors in South Africa. However, are we to see U.S. bank loans circumvent this policy and essentially help South Africa move into the nuclear age?

U.S. BANKING ROLE

Our testimony also indicates that through Standard Bank, until recently 15 percent owned by Chase Manhattan Bank, there has been tremendous attempts to again paint South Africa in a favorable light and to encourage immigration to South Africa.

I am arguing in this case, Mr. Chairman, that banks are not involved simply in offering commercial banking services. Far from being a service institution, the commercial bank in South Africa provides a variety of other services.

Certainly, it encourages further investment by giving potential investors advice and economic intelligence. We cannot ignore this. The banks become a catalyst for further investment. They encourage it. They help it. It is part of their business to look for it.

I think one must obviously assess the role of U.S. and other foreign banks in helping to provide this vital financial undermining for the South African economy and correspondingly, the health of white control. We must compare that to bank claims to be bringing change by providing black workers decent wages.

EXPORT-IMPORT BANK EXPOSURE IN SOUTH AFRICA

Let me address just a few remarks in closing to the increasing exposure of the Export-Import Bank in South Africa.

As you have said, their exposure has skyrocketed over the last 5 years.

Many of the points raised against private loans to South Africa relate to Export-Import Bank exposure, as well.

Indeed, one wonders whether the escalation of Eximbank exposure is not part of a U.S. policy toward South Africa articulated in NSSM–39. Is it another example of the United States filing verbal condemnations of South Africa in public while moving in quiet ways to show our support? Is the Eximbank escalation of exposure a silent forerunner of a new Kissinger policy which guarantees new friendship with South Africa if Rhodesia and Namibia are allowed to move to majority rule?

FUTURE U.S. LOAN OPPOSITION

I have concluded with several recommendations and I think that the urgency of these recommendations and this committee's work is heightened by the fact that it is reported that the Shah of Iran has turned down a $500 million loan offer by South Africa and that South Africa is presently in the United States approaching a number of U.S. banks, including Citibank. Members of this committee, I would recommend, should go on record individually or as a committee opposing future loans to South Africa and communicate this position to U.S. banks.

We should ask the U.S. State Department to develop a policy similar to its policy on Namibia discouraging future loans or investment, and finally, I would urge that Congress consider a position actually prohibiting such loans in the future.

We are not putting these requests simply before you as a committee. As churches, we will be directly approaching banks in which we hold stock and are depositors to ask for similar policy changes.

We should at the very least, Mr. Chairman, ask that U.S. banks must disclose any loan to a South African Government agency or department or for a U.S. company for expansion in South Africa if that loan is larger than, for instance, $100,000.

We have a right to know when such loans are being made, especially since there are such distinctly important foreign policy implications in a massive commitment of U.S. capital to South Africa.

I would conclude by saying that the representative from Citibank, in his testimony, has quoted people that I was going to quote today, too. I think that is ironic. I wish to put our concerns on the record here. He has quoted Vernon Jordan, of the Urban League. I wish the record to show that Mr. Jordan has clearly indicated after his return from South Africa that while he did not favor withdrawal, that he favored a moratorium on future investment. I would assume Mr. Jordan meant a moratorium on loans as well as investment because I have indicated that Citibank or Chase Manhattan in South Africa is a catalyst for future investment. I expect his concern would be very real there.

Second, Roy Wilkins is quoted and has been quoted over the years as opposing investment. Maryland Bank quoted him to us several years ago.

Senator CLARK. Did you say as opposing?

Mr. SMITH. As opposing withdrawal, excuse me, of investment. We wrote Mr. Wilkins and received a very clear letter from him that I will be glad to put in the record. He says while he opposes the withdrawal of a company like General Motors because he thinks it is not practical, he is firmly opposed to any loans to a racist government itself.

Senator CLARK. We would like to have that for the record at this point.

[The information referred to follows:]

NATIONAL ASSOCIATION FOR THE
ADVANCEMENT OF COLORED PEOPLE,
New York, N.Y., November 13, 1973.

Mr. HARRY APPLEWHITE,
Potomac Association Central Atlantic Conference,
United Church of Christ, Washington, D.C.

DEAR MR. APPLEWHITE: I have your interesting letter of November 5. The unnamed officials of banks have no justification for quoting my remarks on corporations as an endorsement of whatever stand they take in South Africa. I was careful to limit my remarks to American corporations. The question was a simple one: Whether American corporations should withdraw from South Africa.

I felt and still feel that they can best remain in South Africa since they are responsible for the employment of several thousand South Africans many of whom are black. I felt and still feel that they can help to improve the wage and salary levels as well as to provide grants for community activity.

However, loans to the government of South Africa are a direct contribution to the type of government there and, as we know, that government is apartheid to the nth degree. Since I oppose the theory of separation on the basis of race, I am, therefore, opposed to loans made directly by banks to a government that espouses and practices apartheid. These are loans made directly to the government and, therefore, contribute directly to the hated official system of which we in the West disapprove.

Very sincerely yours,

ROY WILKINS,
Executive Director.

Mr. SMITH. I will conclude my remarks.

Senator CLARK. Thank you very much. We would like to have both of those statements for the record.

[Mr. Smith's prepared statement follows:]

PREPARED STATEMENT OF TIMOTHY H. SMITH

Mr. Chairman, my name is Timothy Smith. I serve as Director of the Interfaith Center on Corporate Responsibility, a Church coalition composed of 14 Protestant denominations and over 120 Roman Catholic orders concerned about the social responsibilities of corporations. One of the major priorities in the life of this coalition has been the question of American investment in South Africa.

Church stockholders working through ICCR have used their leverage as stockholders to raise questions with dozens of companies doing business in Southern Africa. In response to resolutions requesting disclosure of relevant information about operations in South Africa over 20 companies have prepared reports for shareholders and the public.

In response to stockholder resolutions and other pressures requesting withdrawal from Namibia Texaco, Standard Oil of California, Continental Oil, and Getty Oil withdrew from that illegally occupied territory.

Other companies have been pressed to alter discriminatory employment patterns and starvation wage rates. ITT was urged to cease all sales to the South African police and military which it did in 1976.

Several other corporate giants have been asked to withdraw from South Africa entirely.

The investments of U.S. corporations has been a personal agenda for me for the last ten years. I travelled in South Africa in 1968 and 1970 doing research in the role of U.S. investment. I and two colleagues interviewed representatives of 35 corporations and have published various materials based on those interviews. Before my job with ICCR I worked with the United Church of Christ on Southern African Affairs.

In testifying today it would be presumptuous and mistaken to imply that I am speaking for all of the Roman Catholic orders or Protestant denominations that comprise ICCR. However, I do feel that I can accurately reflect the positions taken by many of these churches over the years. The vast majority of these orders or denominations are on record through resolutions, words and actions as opposing bank loans to South Africa. They have indicated this to U.S. banks via letters, personal visits and through their position as shareholders.

Opposition to bank loans to South Africa is international in scope. The World Council of Churches has urged banks to end these loans and has severed connections with certain banks with which it did business over the issue. Dutch Churches have challenged the Amsterdam-Rotterdam Bank's policy on loans and a boycott of this bank has begun in Holland.

Last year British Churches made British history when, for the first time, a stockholder resolution was filed with Midland Bank requesting an end to future loans to South Africa. It was supported by the Methodist Church and the Church of England.

For the last ten years the issue of U.S. bank loans to South Africa has been a clear focus for many U.S. Church bodies. Documents provided for the record of this hearing include resolutions from the late 1960's from the Conventions, Synods and Assemblies of several major Protestant denominations. These resolutions clearly call for an end to U.S. financial support to the land of apartheid. The vigorous campaign of the 1960's for an end to bank loans to South Africa resulted in a victory when a $40 million floating credit by 10 U.S. banks was not renewed. Dozens of discussions were held with Bank officials and millions of dollars in accounts were withdrawn in protest in that campaign.

In the early 1970's ICCR published information called "The Frankfurt Documents" detailing a series of loans to the South African government agencies by Canadian, American, European and Japanese Banks. These loans were orchestrated by the European-American Banking Corporation (EABC) which is controlled by 6 major European Banks. Later EABC purchased Franklin National Bank when it ran into financial difficulties and thus entered into the American banking scene. Ten U.S. banks were involved in these loans and, after public concern grew, a number of them committed themselves not to make loans to South Africa.

One bank, Maryland National, did an extensive review regarding its loan policy toward South Africa. On March 27, 1974 the Bank released its new policy:

1. Maryland National Bank does not believe in or support "apartheid" which is the official policy in South Africa.

2. In order not to convey the impression that we support South Africa's policy of apartheid, the bank will neither make nor participate in loans to the government of South Africa.

3. In order that there be no confusion and that our position in this request be perfectly clear, we will divest ourselves of the South African Government loans presently on our books.

Other banks such as Merchants National Bank and Trust Company of Indianapolis, Wells Fargo Bank, Central National Bank (Chicago) have stated that they will not make future loans to South Africa.

First Pennsylvania Bank in Philadelphia stated that they would not make loans to South Africa nor to companies for expansion plans there.

The basic point in this recitation is that a number of banks have, for various reasons, decided that their policy will be one of not lending their depositers' money to South Africa. It is not a holy rule in banking circles, as some banks would imply, that banks must lend to South Africa if financial security is assured.

THE RATIONALE AGAINST LOANS TO SOUTH AFRICA

It seems clear that the provision of foreign capital to South African government agencies and private concerns result in support for white minority rule and the status quo in South Africa.

I do not mean to imply by this statement that this is the goal or purpose of those bank officials who arrange these loans. I take seriously the professions of the numerous bank representatives that we have met that they deplore apartheid and want change in South Africa. However, intentions are not what we are debating today. What we must examine is the net effect of such loans.

It is a truism to say that the white minority in South Africa fervently desires to maintain political and economic power in the Republic. Apartheid is the system they have devised to assume this position of supremacy. In addition, the South African Government has set up a number of parastatal corporations such as the Electricity Supply Commission (ESCOM), and the Iron & Steel Corporation (ISCOR) to keep important sectors of the economy under their control. In looking at the South African economy it is important to understand that it is an economy controlled and dominated by political as well as economic factors. To be correct we should talk of the political economy of this country. The Nationalists have gone to absurd lengths on occasion to insure that apartheid regulations are followed even when regulations are a detriment to the overall economy. We are safe in assuming that they are designing their overall economy to bolster their political position and not to weaken it. Obviously, any foreign loans must fit into the overall economic and political plan designed by the government.

U.S. Churches have added their voices to the chorus of opposition to white minority rule in South and Southern Africa. It is an inevitable step in logic for us to oppose any economic, diplomatic or military help that strengthens white South Africa and increases the repression of the black majority. Loans to government agencies and departments clearly fall into this category.

BUSINESS AS USUAL WITH SOUTH AFRICA

It is a tremendous moral boost for white South Africans to feel that the "white anti-communist, Christian West", as they categorize it, may condemn apartheid in the halls of the United Nations but are willing to do "business as usual" with them in critical economic areas. They know they can still count on U.S., European and Canadian banks to provide capital and that public condemnation of apartheid will not inconvenience essential business relationships. Why then should the South African Government take seriously the protest and opposition of America for example? What incentive is there for the white minority to want to share political and economic power with the black majority when they know that apartheid is profitable for them and likely to remain so?

South Africa can and does point with pride to its solid economic relationships with the United States, Britain and France, etc. as a sign that it is respected and indispensable to the West.

ECONOMIC SUPPORT

We are all aware that the image of stability and economic milk and honey which was once the picture of South Africa has changed drastically. South Africa is in very difficult economic circumstances and has an acute balance of

payments crisis. The price of gold has fallen considerably. Inflation is escalating. Many of these economic problems are the result of a shortsighted labor policy. One good account of this economic crisis is reported in the August 14, 1976 Economist. During its economic trials South Africa has increasingly turned to international banks for capital for its budget and huge development projects. In 1975 South Africa borrowed $518 million and in the first 6 months of 1976 borrowed $460 million making it one of the world's top 10 borrowers.

Such loans give relief to South Africa in the midst of its balance of payments crisis. Moreover, the fact that major U.S. Banks are ready to make sizeable loans is an indicator of investor confidence which bolsters South Africa's credit rating. To make such loans now is to flash a signal that U.S. banks have faith in South Africa's economic and social future. If the loans were not forthcoming South Africa would be forced to look elsewhere and the rate it would pay would rise. Moreover, the government backed by these loans does not have to apply unpopular economic controls at home, thus further consolidating its support politically.

Since South African economic propaganda has been so blatant it argues that South Africa offers an excellent investment climate, a cessation of bank loans would create a greater shock than one would expect.

Let us look at some other implications of an open door loan policy to South Africa to bolster the conclusion that loans to the government strengthens apartheid and majority rule.

The machinery of the apartheid system is very expensive to maintain. The intricate complex of racial laws or the passbook system all cost appreciable amounts. For instance, the recent example of authorities removing 40,000 Africans to be resettled in a "black area" is but one example of the human and financial costs of apartheid. To remove those people, or to arrest and try hundreds of thousands of passbook offenders the government needs funds. If foreign funding were not available to the parastatal agencies the government itself would have to finance them thus limiting the cash available for maintaining apartheid. Let us not deceive ourselves that a loan to ESCOM can be simply classified as a loan for electric power. It is a loan directly to an agency of the apartheid government that helps that government balance its overall budget.

Foreign loans insure the overall budget is in a strong position and the economy is viable. These factors relate directly to the strength of the military and police which are determined to preserve white power. I do not feel that it is an overstatement to say that U.S. bank loans subsidize South Africa's military capability and thus are a direct resourcing of machinery for oppression of the black majority.

The South African Government's budget cannot be neatly compartmentalized in the belief that some loans are questionable but others are socially appropriate.

However, until this time major U.S. leaders such as Citibank, Manufacturers Hanover Trust, Morgan Guaranty Trust, and Chase Manhattan Bank have made criteria which would negate one kind of loan to South Africa while allowing another. The basic criteria espoused by these banks is that South Africa will repay the loans in a timely fashion with interest. Whether such loans increase white power and black suffering is not at issue in these banks' international loan departments.

AMERICA'S VESTED INTEREST

Hundreds of millions of dollars of U.S. loans and $1.5 billion in investments create a major American vested interest in South Africa. In a sense the United States becomes mortgaged to South Africa. As in any major mortgage relationships, the Bank has considerable interest in the financial health and well-being of the person paying the mortgage. You become a de facto partner in the project. Certainly U.S. banking circles would not be happy if racial strife grew even more extensive in South Africa and economic chaos resulted. They have a vested interest in economic and social stability. Whether such stability is gained at the price of oppression does not seem important.

The basic relationship of economic friendship thus develops between the banks and South Africa's white power structure, not the black majority. As a result, we see so often in statements by banks sympathetic sentences which try to interpret white South Africa in a positive light. We are told for instance that "things are becoming better" for the black population because of the loans and investments

of U.S. Corporations. A look at the facts plus an alert ear to the political spectrum of black leadership negates the claim that life is improving for blacks. Exactly the opposite is true.

Thus the "mortgaging bank" develops a vested interest which leads to influencing American public opinion favorably toward white South Africa.

Inevitably this vested interest affects U.S. foreign policy. The architects of U.S. policy toward South Africa look at a series of factors—high among them is the economic relationship between these two countries. With such a large economic vested interest our government would be loathe to seriously antagonize a commercial ally or to jeopardize U.S. business interests in the region. Our loans and investments became a magnet drawing U.S. policy toward a "don't rock the boat too severely" philosophy. Certainly, U.S. policy makers would find it unthinkable to openly support the movements for liberation and majority rule. As one result, the struggle in South Africa becomes quickly characterized as a contest between a white minority which protects U.S. economic and diplomatic interests and a black majority fighting for liberation which the U.S. deems "unfriendly" or "Communist supported." Thus business supported political positions wind up affecting U.S. foreign policy.

Finally, we often see in U.S. military journals sympathetic to an alliance with South Africa, references to the need to increase the U.S. economic stake in South Africa so that we would have clear interests to protect in that region of the world. Prime among these interests to protect is the economic involvement of U.S. Banks and Corporations. These commentators understand that U.S. policy and U.S. economic interests in South Africa are closely linked.

NAMIBIA

As we all know, Namibia is illegally occupied by South Africa. However, since South Africa treats Namibia as an integral part of the Republic, it also extends the power of its government departments, agencies and parastatals into Namibia. Of course, banks lending money to the South African Government do not put any limitations on the use of those loans, i.e. prohibiting their use for Namibian projects.

It can easily be argued that support for the South African Government is de facto backing for its control of Namibia.

These comments on Namibia are made in the context of a vigorous campaign by accomplished public relations experts to establish the credibility of Clements Kapuo of Namibia for the first Prime Minister of Namibia. He has chosen to cooperate with South Africa Government's efforts at a constitutional convention. Citibank representatives recently lunched with Kapuo to hear his position. We do not know of business officials meeting with representatives of the liberation movements.

LOANS TO BANTUSTANS

The question of loans to Bantustans is extremely serious. Citibank is part of a $14 million loan to the Transkei, the first sham homeland to become independent. The decision to recognize the Transkei as an independent country is a highly controversial issue. A number of Congressional representatives have called President Ford not to establish diplomatic relations with the Transkei. Unfortunately, Citibank has already beat us to the punch. Through their participation in this loan to the Transkei, Citibank has given endorsement to the apartheid system by backing the Bantustan concept in theory and in practice.

This loan occurs as 7 of the 9 Bantustan leaders have recently denounced the whole Bantustan system calling their so called independence a fraud.

Yet, Citibank is voting with its checkbook, showing support for the Transkei and implicitly endorsing the concept that 13% of the land is the legitimate "homeland" of the black majority.

THE BANKS' POSITION

The political neutrality argument—Many U.S. Banks have argued that they are politically neutral and are simply involved in business transactions as they lend money to South Africa. The example of loans to the Transkei demonstrate the shallowness of this position. Such a loan has direct political implications of major proportions.

Likewise, it is a simplistic smokescreen to pretend that loans to the South African Government are simply business and not politics. Certainly the apartheid

government understands the political implications and the bridges of friendship that such loans build. While South Africa, for political reasons, is urgently trying to reach economic self-sufficiency and thus has established key agencies such as ISCOR and ESCOM, loans to these agencies or to government departments such as the Department of Finance are clearly political in nature.

When we recognize that ESCOM is planning to build two nuclear reactors, the political seriousness of these loans take on even greater weight. Recently, pressure in Congress insured that G.E. did not get the offer to participate in building new nuclear reactors for South Africa. This Congressional pressure arose from the concern that U.S. cooperation would help push South Africa into the nuclear club and provide her with the capability to make nuclear weapons. Yet, will U.S. policy allow loans to ESCOM to help build these very reactors? Will U.S. banks in the guise of being neutral supply the needed foreign capital to help make these extremely expensive reactors a reality and push South Africa into the nuclear age?

Another public position taken by the banks to interpret loans to South Africa is that these loans inevitably help the black population. In fact these loans generally go to government sectors which mainly serve the needs of the white population. Such loans do not go to social development programs in the black communities. In fact, the cash flow creates more wealth and power in white hands thus exacerbating the growing income gap between blacks and whites.

MORE MYTHMAKING—BY CHASE MANHATTAN

We should not forget the role of Chase Manhattan through Standard Bank has helped play in "mythmaking" about South Africa. For instance, in the mid-sixties Standard Bank produced "the Standard Bank pocket guide to South Africa". Remarkably the guide's 32 pages nowhere mention apartheid or even a hint that the black majority is ruthlessly controlled by the white minority. Instead, the booklet states: "the Republic is a parliamentary democracy", states without interpretation that the Transkei is a homeland which is internally self-governing with its own constitution. Africans are referred to as Bantu throughout and generally the guide is a typical tourist booklet urging people to visit "sunny South Africa". It could as easily have been written by the government as Standard Bank.

In October 1970 Standard Bank produced a thirty page illustrated booklet to encourage people to immigrate to South Africa thus "improving their living standard and increasing their share of the pleasures of life." The booklet therefore directly involves Standard Bank in South Africa's frontier search for white skilled laborers from overseas. Reading as if the black majority did not exist the Standard Bank makes statements such as "In South Africa most people own the houses they live in, and house ownership is within the reach of every family now." Again apartheid is no where mentioned!

As if the Bank wished to act as a promoter for the South African Government, it proudly states "we shall also be glad to answer your specific enquiries on immigration matters" listing Bank offices from which to seek advice.

Standard Bank also produces a monthly review of economic activiites, in areas in which they have branches, for investors. Doing business in South Africa inevitably requires justification and Standard Bank artfully produces such justifications not only for itself but fellow investors. In order to increase its business in South Africa it is to the Bank's benefit to encourage increased investment by foreign companies which the banks will support with credit loans, etc.

Another important role played by an international bank is assistance to South Africans seeking markets overseas. As a result South Africa's balance of payments receives a boost. A Chase ad in the early 60's (before merging with Standard) stated: "Differences in language or customs, however small or subtle, can be important to people in South Africa doing business abroad.

As a local Bank affiliated to one of the largest U.S. Banks, Chase Manhattan knows these differences and similarities and can do much to make your dealings with overseas countries more pleasant and more profitable. Chase Manhattan knows too, the differences in customs and trade practices within these countries."

Therefore U.S. Banks do not simply assist South Africa's economic health by providing foreign exchange or by assisting investors, it also helps South African firms do business internationally. Standard Bank also uncritically supports the Bantustans. In the February 1971 Standard Bank Review, the bank encourages white investors to consider investing in the Bantustans stating that

opportunities have arisen because of "the increasing interest of the Bantu in trade and industry."

In the end Standard Bank's role strengthens the status quo economically and politically in South Africa. Whether it be by sweetening South Africa's image overseas, encouraging white immigrants, lending money or providing advice and assistance for South African manufacturers seeking markets overseas.

ADDITIONAL BANKING SERVICES

As indicated in the remarks about Chase Manhattan Bank, diversification has transformed banks in South Africa from institutions which simply facilitate payments and act as credit intermediaries into organizations providing a full range of services including medium term finance, factoring, insurance, investment advice, economic intelligence, trade promotion, financing of property transactions, travel services and credit cards. Far from being simply a service institution, a commercial bank in South Africa actively encourages further investment by giving potential investors advice and economic intelligence. It is important for the Bank's business growth that U.S. investment increases. Thus banks play a catalytic role increasing America's vested economic interest in South Africa day by day. To do otherwise would be contrary to a bank's business goals and purposes.

Chemical Bank is another example of the banking magnet to foreign investors. in South Africa, the involvement of U.S. banks takes several forms. Most of the largest banks have a correspondent relationship with some South African bank. Chemical Bank, for example, channels its business through Nedbank (formerly called the Netherlands Bank but now 100% South African-owned). In the New York Times on March 18, 1969, Chemical advertised the services it offers in South Africa, describing the assistance given to one "American capitalist" who wanted "to convince the South Africans to build their own blast furnaces for converting raw ore into pig iron":

"We put our 145-nation International Division at his disposal. We supplied letters of credit. We came up with vital information on local politics. And strategic economic and logistic advice. To say nothing of the money it took to close the deal.

"Today, the American capitalist is an international capitalist. He needs a bank with worldwide capability. His bank is Chemical Bank."

Another description of the important role banks played in stimulating the inflow of capital was made by A.Q. Davies, formerly a Standard Bank Chairman, when he said:

"With offices overseas and agents and correspondents throughout the world the commercial banks have assiduously pursued the role of financing and encouraging international trade and the friendly associations they have established with the outside world have played an important part in the attraction of overseas capital in all its forms." (Banking—An Active Force in the Economic Life of South Africa, SA Bankers' Journal, April 1962.)

In the 25 years between 1946 and 1970, South Africa has had a favorable balance of trade only 6 times. For 9 of the remaining 19 years, the flow of capital has nearly balanced or completely offset the deficit, thus saving valuable gold reserves. The "attraction of overseas capital" which Davies describes is thus a vital part of maintaining economic stability and contributing to political stability in the country.

In fact the Financial Mail of October 1, 1971, stated, "The only thing that saved the country from bankruptcy (in 1971) was an incredibly high R385 M of capital from abroad that underpinned the total foreign reserves which at the end of June were down to R690 M (cf. with R 1,030 M the previous June)."

One must obviously assess the role of U.S. and other foreign banks in helping to provide this vital financial underpinning for the S.A. economy and correspondingly the health of white control, beside bank claims to be bringing change by providing a few black workers decent wages.

One of Citibank's services to South African customers was announced in 1970. They explained that customers would enjoy "complete coverage of all the European Common Market countries" with readily available information on potential business for importers and exporters. First National City Bank had been an integral part of the $40 million consortium to the South African Government in the 1960's. As expected, business breeds business in South Africa. Therefore it is clearly in the interest of Citibank, as an American investor to play the

game by the rules and to establish a record of being willing to be competitive and make competitive bids. Whether a specific loan worked to strengthen the white government was not a question asked by Bank officials. In fact, Citibank's Managing Director in Johannesburg argued to a United Church of Christ interviewer in 1968 that public refusal by the bank to continue its part in the $40 million consortium would seriously have jeopardized a business transaction he completed in Pretoria with the government that day. To take a serious stand against white supremacy in South Africa is to jeopardize one's economic future, a price few corporations would be willing to pay.

EXPORT-IMPORT BANK

Let me address a few remarks to the increasing exposure of the Export-Import Bank in South Africa. Export-Import Bank's exposure has skyrocketed during the last five years. In 1971 Mr. Don Bostwick (Executive Vice President of the Export-Import Bank) told the House Subcommittee on Africa: "Our business with the Republic of South Africa is limited generally to the guarantee or insurance of exporters' receivables in the short and medium term field. Our current exposure in this regard totals $21.6 milloin. We have no direct loans outstanding."

However, on May 25, 1976, Stephen Minikes (V.P. Research & Communications Ex-Im) told the House Subcommittee on International Resources: "On March 31, 1976 Ex-Im bank's exposure in South Africa amounted to $265.8 million, which was comprised of $77.1 million in insurance and $188.7 million in guarantees." Mr. Minikes also referred to an amount of $112.8 million which had been authorized in discount loans to U.S. commercial banks against their financing car sales to South Africa. The wording is somewhat obscure, so that it is not clear whether in fact the $112.8 is included in, or should be added to the $265.8 million to obtain a total figure for Ex-Im involvement with South Africa.

In either case, the figures appear to give considerable cause for concern, indicating at least a twelve fold increase in the availability of Ex-Im Bank facilities for U.S. corporations doing business in South Africa.

Many of the points raised against loans by private banks relate to Export-Import Bank exposure as well.

Certainly the backing of a U.S. government agency must provide white South Africa with considerable satisfaction and confidence. Indeed, one wonders whether the escalation of Ex-Im Bank exposure is not part of the U.S. policy toward South Africa articulated in NISSOM 39. Is this another example of the U.S. firing verbal condemnations of South Africa in public meanwhile moving in quiet ways to show our support? Is the Ex-Im Bank escalation in exposure a silent forerunner of a new Kissinger policy which guarantees U.S. friendship with South Africa if Rhodesia and Namibia are allowed to move to majority rule?

Certainly Ex-Im Bank's dramatic shift in insurance and guarantees to South Africa can be interpreted by Vorster as yet another sign that the United States values its commercial relationship to South Africa and will not jeopardize it through strong actions against apartheid. It is a symbol that the U.S. government stands behind South Africa.

CONCLUSION

Many U.S. Church bodies, Roman Catholic and Protestant, believe that bank loans constitute a clearly identifiable example of support for white minority rule and the apartheid status quo.

The examples of the ways in which this commercial alliance is forged are numerous and would take much longer than this short testimony to detail.

If our premise is correct then it is an obligation of Churches, the Congress, organizations in the black community, groups working on international affairs, and thousands of individuals to express their opposition to an open door loan policy to South Africa. Such support for apartheid should end immediately.

SUGGESTED RECOMMENDATIONS

1. In light of reports that South Africa has recently been turned down by the Shah of Iran for a $500 million loan and therefore is approaching various New York banks, including Citibank, to arrange this loan, there is an element of urgency about this Committee's work. In addition the extensive search for foreign capital assures that opportunities to lend money to South Africa are constantly on the desks of U.S. Banks.

Members of this Committee or this Committee itself should go on record as opposing future loans to South Africa and communicate this position to U.S. Banks. The State Department could be asked to develop a policy, similar to present U.S. policy on Namibia, discouraging any further loans to Namibia and South Africa including the Bantustans.

Finally, Congress should consider legislation that would discourage or prohibit future loans to South Africa.

These are not requests that we are simply putting before government. U.S. Churches will be directly approaching Banks in which they hold stock or are depositers to ask for policy change.

2. Subcommittee staff should investigate the ways in which U.S. loans help South Africa extend its control of Namibia.

3. Subcommittee staff should investigate the diplomatic implications of loans to the Bantustans.

4. At the very least, the Subcommittee should request that U.S. banks must disclose any loan to a South African government agency or department or to a U.S. company for expansion in South Africa, if that loan is larger than $100,000. We have a right to know when such loans are made especially since there are distinct foreign policy implications in a massive committment of U.S. capital to South Africa.

5. Congress should move immediately to cut back and gradually end Export-Import Bank's increasing exposure in South Africa. This is the time to end the use of taxpayer's money to economically assist South Africa.

[From Financial Mail, Apr. 2, 1976]

Cash and Carry On

QUESTIONS AND ANSWERS

How do you view SA as an investment opportunity and Exim's role in Southern Africa trade?

A distinction must be made between what I feel on the one hand, and US government policy on the other. There has been confusion lately about whether Exim is lending money to promote trade with SA. We are not. It is still US policy that Exim shall not make loans on business ventures in SA. The US government is opposed to racial discrimination and this is an expression of that opposition.

Exim is active in SA. What do you call that loan of $47m to SAR&H?

If you are talking about the sale of three Boeing 747 SPs to SA that was not a loan. We make guarantees of private financing of SA ventures and we insure loans there, as we do elsewhere. In the plane deal this was a bank guarantee of private financing.

Isn't this quibbling? While official American policy has been to prohibit outright loans Exim, under your predecessor and other Ford Administration officials, has urged an end to the ban. Isn't it being repealed soon?

That's where the trouble is. Only Congress can repeal that ban. The policy is under review by the National Security Council at the White House—along with the rest of our African policy. We have the same policy as our State Department and this is not quibbling.

The SA loan question is very controversial in Congress. We are reviewing the loan matter and continue to make guarantees and insure private loans. While we do not have the same penetration in SA as elsewhere, I am confident it will change.

How do you, as a veteran investment analyst, view SA?

My wife and I visited SA more than 11 years ago and I thought it was a great place to lend on a short-term basis.

Have Angola and the Rhodesian troubles changed your mind?

I think it is a good place to lend on a longer-term basis now.

How do you view the internal political climate?

The political situation is good. I believe the South African economic and political structure will lead to better conditions for all races. Industry and development, if left to their own devices, will inevitably do more for the Black man because he will increasingly be in demand as a skilled participant.

Not all of this will happen without strain. As the economic conditions of the Blacks improve, their aspirations will expand and there will be tensions. I am

optimistic that the South African political system will be preserved and it will be a good place for American business for some time to come.

Does this optimism extend to all of South Africa?

Unfortunately, no. There is a rising political instability there that worries Exim. We do some insurance and loan coverage but are very selective about countries and projects. So are the other trade expansion agencies of the OECD nations and Japan. They have been, perhaps, more cautious than we have.

What kind of a future can Exim have when US protectionist sentiments have revived recently?

The debate is still on about that, but I do worry about it. The American position on trade for 30 years has been to help the world come back from the devastation of World War Two. Now those nations are sources of considerable competition.

Where does Exim fit into this rapidly-changing world?

We cannot kid ourselves that Exim can provide the total capital needs of American business to seize this advantage again all over the world. We are at a distinct disadvantage vis-a-vis our competitors in Europe and Japan because they can direct capital more efficiently.

But Exim can play a good role as a middleman; a finder of private capital that can be matched to the business needs and the target country?

Are there new sources of capital?

I don't think our major institutional investors are as fully invested abroad as they will be. It's a matter of finding the deal and matching the parties.

Senator CLARK. We will come back to Mr. Jordan's position in the questioning. If either of you could have those available for specific references, as I said earlier I think it is important we have his judgment on it for the record. He is a leading businessman, an African expert in this country. As I have said, Governor Carter told me personally that he is one of his major advisors on Africa.

So I think it would be interesting to know what his position is.

CHURCH INVESTMENT IN BANKS

Senator BIDEN. Mr. Chairman, in case we don't get very far into the statement, if the last witness could give us some estimation of the total investment of all of those churches he represents and American banks when we come back to questioning, I would be interested.

Senator CLARK. Total investment of churches in banks?

Senator BIDEN. Of the churches represented by our witness in American banks. He indicated that his organization would be putting pressure on banks as a consequence of their holdings in those banks. I am curious as to what kind of impact that might have.

Senator CLARK. We are going to go until the bells start ringing.

Mr. Minikes.

[Mr. Minikes' biography follows:]

BIOGRAPHY OF STEPHEN M. MINIKES, SENIOR VICE PRESIDENT, RESEARCH AND COMMUNICATIONS

Stephan M. Minikes was elected in April 1975 by the Board of Directors of the Export-Import Bank of the United States to the position of Senior Vice President. He is responsible for policy analysis, research, congressional and government relations, and public affairs and external relations. Mr. Minikes joined the Bank in June 1974 as Vice President and Assistant to the Chairman.

Between March 1972 and June 1974, Mr. Minikes was Special Assistant and Counsel to the Chief of Naval Operations. From February through April 1973, he served on special assignment as Counsel to the Special Consultant for Energy to the President of the United States.

Mr. Minikes is a graduate of Cornell University (1961) and Yale University Law School (1964). From 1964 to 1972 he was engaged in general corporate and

commercial law with the New York City law firms of Borden & Ball and Milbank, Tweed, Hadley & McCloy.

In addition to authoring papers on Navy and national energy matters, and contributing to a legal treatise and various Bar Association Committee Reports, Mr. Minikes is the co-author of "Federal Tax Lien Act of 1966". *New York Law Journal*, August 1967, and "Neighborhood Information Centers", *Ripon Forum*, August 1968. He is a member of the Bars of the U.S. Supreme Court; U.S. District Court, S.D., N.Y.; U.S. Court of Appeals, 2nd Circuit; U.S. Court of Military Appeals, and a member of the American Bar Association, Federal Bar Association, and the Association of the Bar of the City of New York.

A native of New York City, Mr. Minikes currently resides in Sumner, Maryland. He is married to the former Sarah Turner of Mystic, Connecticut. They have one daughter, Alexandra.

STATEMENT OF STEPHAN M. MINIKES, SENIOR VICE PRESIDENT, EXPORT-IMPORT BANK OF THE UNITED STATES, WASHINGTON, D.C., ACCOMPANIED BY WARREN GLICK, GENERAL COUNSEL; AND JACK BIERMAN, SENIOR VICE PRESIDENT, GUARANTEE AND EXPORT INSURANCE PROGRAM, EXPORT-IMPORT BANK

Mr. MINIKES. Thank you very much, Mr. Chairman.

I would like to introduce two of my associates, Mr. Warren Glick, who is our General Counsel, and Mr. Jack Bierman, who is Senior Vice President for the Guarantee and Export Insurance Programs.

Senator CLARK. We are pleased to have them at the table, if you would like.

Mr. MINIKES. I think this is fine, Mr. Chairman. Thank you. I will look to them to answer any difficult questions, but don't assume that if I answer the questions aren't difficult enough, please.

I am pleased to be here this morning to discuss with you the policies of the Export-Import Bank regarding the facilities it has available to assist private capital in supporting U.S. exports to South Africa.

EXIMBANK PRIVATE INVESTMENT POLICY

To begin, I think it is important to point out that the Bank today across the board, and particularly in South Africa, only backs up private financing. We do not lead it, and in South Africa we do not provide direct credits.

This policy is based on our legislative mandate which provides that we should facilitate U.S. exports, but that we should carry out this mandate by supplementing the private capital markets—that is, filling in what economists call market imperfections; that is, filling in where the private capital market leaves off. However, we do so only where there is reasonable assurance of repayment, which is another requirement under our act.

We operate on a self-sustaining basis, without the use of annual appropriations, and have done so since we were organized in our present corporate form in 1945. We, of course, carry out our function as a part of the U.S. Government and within the context of existing foreign economic policy.

We implement our mandate by using our resources to assume commercial and political risks that exporters or private financial institutions are unwilling or unable to take, by overcoming maturity and other limitations in private sector financing of U.S. exports, and by assisting

U.S. exporters to meet officially supported foreign competition. We achieve these objectives through a number of programs. They fall basically into two major categories: Those in which we provide guarantees or credit insurance for transactions financed by the private sector, and those in which we provide direct loans in conjunction with the private sector.

As I mentioned in my testimony before this committee earlier this year, since 1964 administration policy has precluded Eximbank from extending direct loans to South African buyers of U.S. goods and services. Furthermore, Eximbank does not support under any of its programs U.S. export sales to Namibia. The Bank does, however, provide guarantees and insurance for privately financed U.S. export sales to South Africa and will agree to provide discount loans to U.S. commercial banks against obligations of U.S. exporters relating to sales to South Africa of up to $2 million per transaction.

EXIMBANK POLICY, PROGRAMS TO SUPPORT U.S. EXPORT SALES

Let me explain briefly the programs that are available to support U.S. export sales to South Africa, our authorizations and exposure under these programs, and the Bank's current policy in support of U.S. export sales to that country.

Under our financial guarantee program, the Bank guarantees repayment by the borrower of loans made by private lenders to facilitate U.S. exports. The guarantee covers all commercial and political risks and is designed to induce private export financing principally in the case of larger projects, such as powerplants, mines, railroad equipment, commercial aircraft, where the repayment terms or uncertainties are otherwise beyond the capacity of the private sector. Where Eximbank does not also provide a direct credit in a particular transaction, as is the case in all transactions regarding South Africa, the guarantee can now be for up to 85 percent of the price of the U.S. goods and services exported. The Bank has authorized financial guarantees totalling $95.5 million in support of approximately $170 million in export sales to South Africa. The products supported have ranged from gas turbines for electricity generation to mining equipment and commercial aircraft. All of these guarantees have been authorized since February 1975, and are principally in favor of the Private Export Funding Corporation.

PEFCO

Because the committee staff has expressed some interest in PEFCO, let me briefly explain what it is and what it does.

The Private Export Funding Corporation was founded in 1970 by a group of commercial banks and industrial corporations, with Eximbank's cooperation, to mobilize additional private capital into financing U.S. exports, principally those requiring long terms. It is owned by 55 banks, seven industrial corporations and one investment banking firm.

In a typical export transaction to South Africa involving PEFCO, the development of the case would be somewhat along the following lines: A commercial bank or exporter would submit an application to Eximbank for a financial guarantee. If our Bank finds that its support

is needed and appropriate, and that the application is creditworthy in accordance with usual direct loan criteria, a financial guarantee would be authorized. The commercial bank or exporter, which by the way, need not be a PEFCO shareholder——

Senator CLARK. I am sorry. I have to interrupt you. We have 5 minutes to get over and vote. There will be another vote immediately following.

So it will be about 10 to 12 minutes before we can come back, and pick up where you were.

[A recess was taken.]

Senator CLARK. The committee will come to order.

Do you want to continue?

Mr. MINIKES. Thank you, Mr. Chairman.

I was in the process of explaining the mechanism of how PEFCO operates following the Eximbank's approval of a financial guarantee. The commercial bank or the exporter might then take that guarantee to PEFCO and request that PEFCO provide a loan in the amount of the guarantee. If PEFCO accepts, the commercial bank or exporter then requests Eximbank's final approval of PEFCO's participation. Only if our Bank approves all aspects of the transaction, including the term and interest rate of PEFCO's proposed participation, would PEFCO actually provide the credit.

Senator CLARK. You have an absolute veto over their loans?

Mr. MINIKES. That is correct, sir.

The PEFCO loan generally will be at a fixed interest rate which will reflect market conditions prevailing at the time of the loan. The current rate is 8.75 percent on credits which would disburse within 2 years and then goes all the way up to 9.25 percent on longer credits.

In addition, the borrower has to pay Eximbank's customary fee for financial guarantees, which for South Africa has generally been 1 percent. In the most recent case, it was 1.5 percent.

There is no size limitation, as such, on PEFCO loans, and in the case of South Africa, they have ranged from $2.7 million up to $49 million for a particular transaction.

Let me point out at this point, Mr. Chairman, that we had furnished the committee staff with information indicating that PEFCO had made about $95 million of loans in support of U.S. exports to South Africa. In reviewing our computer printout, we realized there was an additional $12.5 million in PEFCO loans approved by the Bank in 1974, which would bring the total PEFCO exposure from $95 to $108 million. However, the significance of this figure, I think, is put into perspective when you look at total PEFCO commitments, worldwide, which stand at about $1.1 billion.

Senator CLARK. So it is about 10 percent?

Mr. MINIKES. It is about 10 percent.

Senator CLARK. These are direct loans?

Mr. MINIKES. These are direct loans by PEFCO, guaranteed by the Export-Import Bank.

EXIMBANK DISCOUNT LOAN PROGRAM

Let me quickly now turn to the discount loan program. Through the issuance of an advance commitment, our Bank will provide standby

assurance to a commercial bank which has purchased an export obligation and received an advance commitment that at any time during the life of the obligation, Eximbank would discount up to 100 percent of the outstanding balance at a fixed interest rate. The principal purpose of this program is to enable Eximbank to overcome limitations in the private market's ability to provide fixed-rate financing.

Almost all foreign official export credit agencies offer fixed-rate financing. This program, therefore, assists U.S. exporters in meeting foreign official export competition in the medium term—271 days to 5 years—area. All risks of the underlying transaction continue to be borne by the commercial bank which makes the unlerlying loan.

Eximbank's decision to provide a standby discount commitment consequently is based on an analysis of the applicant bank's creditworthiness and the need for fixed-rate financing in the particular transaction. The interest rate most commonly charged the borrower on loans supported through the program is currently 9 percent. Eximbank's interest rate on discount loan disbursements for new loans is 8 percent.

While the Bank authorized about $1.2 billion in discount loans during fiscal year 1976, only $16.6 million in advanced commitments were provided in that fiscal year on export sales to South Africa. Aggregate commitments under the discount program for sales to South Africa from 1971 through August 31 of this year total $117 million. I should point out that this discount figure results in some double counting because almost 70 percent of the total that we have provided under the discount program relates to transactions which were also guaranteed or insured by our Bank and, therefore, is included in the totals provided under the guarantee and insurance programs for South African transactions.

Under the Bank guarantee program, Eximbank guarantees repayment of medium-term, which is 181 days to 5 years, export obligations acquired by U.S. banks from U.S. exporters. This program is designed to encourage U.S. commercial banks to provide export financing by providing protection against specific commercial and political risks which private financing institutions or exporters are unwilling or unable to take. Under the most common coverage, the commercial bank retains about 15 percent of the commercial risk for its own account, thereby becoming a very active participant in the export transaction.

During the last fiscal years, we authorized under this program about $579 million. Only $4 million of this amount was for U.S. exports to South Africa; covering items which ranged from steel plant equipment to printing presses to medical equipment, can making machinery and earth moving equipment.

EXPORT CREDIT INSURANCE PROGRAM

Finally, let me turn to the export credit insurance program which we run together with the Foreign Credit Insurance Association—FCIA. This is an association of about 54 of the leading U.S. casualty insurance companies and which insures export credit provided by the private sector against normal, commercial risks. Eximbank reinsures part of the commercial risks and provides all of the political risk coverage.

The program spreads the risk in export credits among the exporters, FCIA, and Eximbank in accordance with classic insurance principles, thereby encouraging exporters to sell abroad and the private market to provide the needed credit.

Our total exporter credit insurance authorizations increased 20 percent in fiscal year 1976 to $3.5 billion. This increase reflects first the growth worldwide in U.S. exports which require short- and medium-term financing, second, the greater risk perceived in international lending, and third, Eximbank's increasing emphasis on greater private sector participation in export financing.

Of this total, $26.1 million was authorized for medium-term insurance and $115.7 million in short-term shipments were covered on U.S. export sales to South Africa. The goods here ranged from construction equipment to agricultural machinery to trucks.

MAXIMIZING PRIVATE SECTOR EXPORT FINANCING

In closing, Mr. Chairman, going back to my opening remarks, I mentioned that one of our key objectives is to maximize private sector export financing. To the degree that this effort continues to succeed, Eximbank will be able to continue to facilitate a rising level of exports worldwide within expected budget constraints and with more and more of the actual risk and commensurate decisionmaking in private hands. The worldwide shift in Eximbank programs from direct lending to backing up the private sector with guarantees and insurance, which last year accounted for a record of 60 percent of our total support, reflect this effort. In the case of South Africa, albeit for national policy reasons, 100 percent of our support is in the form of backing up private sector financing, not direct lending.

The Bank's decision on whether to support particular export transactions, except in countries where as a matter of national policy we are prohibited from supportiing U.S. exporters, is based on the precepts which I outlined earlier, and which in turn are based on our legislative mandate.

U.S. Government policy with respect to Eximbank support of exports to South Africa is reviewed regularly at the highest levels in our Government. After each review, it has been determined that the direct loan prohibition should remain intact. The U.S. Government strongly disapproves of the South African Government's apartheid policies. As Secretary Kessinger's current efforts underscore, the United States will continue to use its influence to bring about peaceful change, equality of opportunity, and basic human rights in South Africa. At the same time, U.S. policy is based on the premise that commercial channels to South Africa should be kept open and a U.S. competitive position maintained there. Consistent with these policies, Eximbank will not provide direct loans to South Africa, but will aid U.S. exporters doing business there to the extent I have previously discussed. The Bank has, however, been extremely cautious in guaranteeing or insuring other than short- and medium-term credits which represent the normal, day-to-day items of international commerce.

Thank you, very much.

Senator CLARK. Thank you. Your full statement will be made a part of the record at this point.

[Mr. Minikes' prepared statement follows:]

PREPARED STATEMENT OF STEPHEN M. MINIKES

Mr. Chairman, members of the committee: I am pleased to respond to your invitation to appear today to review with you Eximbank's activities in support of U.S. export sales to South Africa.

EXIMBANK PURPOSE

For over 42 years, Eximbank has been this country's principal institution for overcoming obstacles in private market financing of U.S. exports. The Bank's assistance enables U.S. exporters to compete more equitably in the world market on the basis of quality, price, and service.

Most U.S. exports do not require Eximbank support. Many exports are either sold for cash or are readily financed in the private market. But there is a significant volume of exports—equal to about 16 percent of U.S. non-agricultural exports—that do require some form of Eximbank assistance to share risks or to overcome maturity or other limitations in the private market.

Eximbank operates under a specific legislative mandate. Our policies and programs must be consistent with that mandate. As a government agency, Exim must also conduct its affairs within the context of existing overall U.S. foreign economic policy to the extent permitted by the Eximbank Act.

Our basic purpose is to facilitate the export of U.S. goods and services.

In carrying out this purpose, the Bank uses its resources to: Assume commercial and political risks that exporters or private financial institutions are unwilling or unable to take; overcome maturity and other limitations in private sector financing of U.S. exports; and assist U.S. exporters to meet foreign, officially-supported export credit competition.

Eximbank achieves these objectives through a number of programs. These programs fall into two major categories: those in which Eximbank provides guarantees or credit insurance for transactions financed by the private sector, and those in which Eximbank provides direct loans in conjunction with private sector financing.

EXIMBANK POLICY ON SOUTH AFRICA

As I mentioned in my testimony before this Committee earlier this year, since 1964 Administration policy has precluded Eximbank from extending direct loans to South African buyers of U.S. goods and services. Furthermore, Eximbank does not support under any of its programs U.S. export sales to Namibia.

The Bank does, however, provide guarantees and insurance for privately financed U.S. export sales to South Africa and will agree to discount for U.S. commercial banks obligations of U.S. exporters relating to sales to South Africa of up to $2 million per transaction.

EXIMBANK PROGRAMS

Let me briefly explain those programs that are available to support U.S. export sales to South Africa, our authorizations and exposure under these programs, and the Bank's currently policy on support of U.S. export sales to South Africa.

Financial guarantees.—Under this program, Eximbank guarantees repayment by the borrower of loans made by private lenders to facilitate U.S. exports. The guarantee covers specific commercial and political risks and is designed to induce private export financing in situations—principally in the case of larger projects such as power plants and mines and other big-ticket items such as railroad equipment and commercial aircraft—where the repayment terms or uncertainties are otherwise beyond the capacity of the private sector. Where Eximbank does not also provide a direct credit in the particular transaction, as is the case in all export sales to South Africa, the guarantee now can be for up to 85 percent of the price of the U.S. goods or services exported.

Prior to an actual application for an Eximbank financial guarantee, a U.S. exporter, foreign buyer, or a private financial institution may wish to obtain a preliminary commitment from the Bank which expresses the Bank's willingness to provide financial support on specified terms and conditions upon subsequent

receipt of a final guarantee application. Commitments are generally valid for a period of 60 days but, in exceptional cases, may be issued for longer periods.

Exim has authorized financial guarantees totalling $95.5 million in support of approximately $170 million in export sales to South Africa. The products supported have ranged from gas turbines for electricity generation to mining equipment and commercial aircraft. All of these guarantees have been authorized since February 1975 and are principally in favor of the Private Export Funding Corporation (PEFCO).

PEFCO was founded in 1970 by a group of commercial banks and industrial corporations, with Eximbank's cooperation, to mobilize additional private capital in financing U.S. exports, particularly those requiring longer terms. It is owned by 55 banks, seven industrial corporations, and one investment banking firm.

A typical export transaction to South Africa involving PEFCO would develop as follows: a commercial bank or exporter submits an application to Exim for a financial guarantee. If Exim finds that its support is needed and appropriate and that the application is creditworthy in accordance with usual direct loan criteria, a financial guarantee is authorized. The commercial bank or exporter—which need not be a PEFCO shareholder—may take the guarantee to PEFCO and request that PEFCO provide a loan in the amount of the guarantee. If PEFCO accepts the request, the commercial bank or exporter (accompanied by PEFCO's indication of willingness) requests Exim's final approval for PEFCO's participation. Only if Eximbank approves all aspects of the transaction, including term and interest rate of PEFCO's proposed participation, may PEFCO provide a credit.

The PEFCO loan generally will be at a fixed interest rate which reflects prevailing money market conditions. PEFCO's current interest rate is 8.75 percent on credits which will disburse within two years and 9.25 percent on other credits. In addition, the borrower must pay Eximbank's customary fee for financial guarantees which, for South Africa, has recently been one percent. There is no size limitation, as such, on PEFCO loans. In the case of South Africa, these have ranged from $2.7 million to $49.5 million

Discount loans.—Another program under which Eximbank facilitates U.S. exports by encouraging private sector financing is the Discount Loan program. Through issuance of an advance commitment, Eximbank provides stand-by assurance to a commercial bank which has purchased an export obligation and received an advance commitment that any time during the life of the obligation Eximbank will discount up to 100 percent of the outstanding balance at a fixed-interest rate. The principal purpose of the program is to allow Eximbank to overcome limitations in the private market's ability to provide fixed-rate financing. Almost all foreign official export credit agencies offer fixed-rate financing. This program, therefore, assists U.S. exporters in meeting foreign official export competition in the medium-term—271 days to five years—area. All risks of the underlying transaction continue to be borne by the commercial bank which makes the underlying loan. Eximbank's decision to provide a discount stand-by commitment consequently is based on an analysis of the applicant bank's creditworthiness and the need for fixed-rate financing in the particular transaction. The interest rate most commonly charged the borrower on loans supported through the program is currently 9.00 percent. Eximbank's interest rate on discount loan disbursements for new loans is 8.00 percent.

During FY 1976, Eximbank authorized $1.2 billion in advance stand-by commitments to provide discount loans. However, only $101 million, was actually disbursed in that year, thus highlighting the stand-by nature of the program For transactions involving exports to South Africa, total advance commitments for the year were $16.6 million. Aggregate commitments from 1971 through August 31, 1976, total $117.6 million. Moreover, almost 70 percent of this total relates to transactions which were also guaranteed or insured by Eximbank and therefore were included in the totals for those programs.

Bank guarantees.—Under the commercial bank guarantee program Eximbank guarantees the repayment of medium-term—181 days to five years—export obligations acquired by U.S. banks from U.S. exporters. The program is designed to encourage U.S. commercial banks to provide export financing by providing protection against specific commercial and political risks which private financial institutions or exporters are unwilling or unable to undertake. Under the most common coverage, the commercial bank is required to assume 15 percent of the commercial risk, thereby becoming a more active participant in export financing.

Financing is provided by the commercial banks at going commercial rates plus the cost of Eximbank's guarantee fee which ranges from .7 percent to 2.2 percent per annum, depending on the term of credit and country of import. These fees, as those in all Eximbank programs, are designed to cover administrative costs and claims on insurance principles.

During FY 1976, Eximbank authorization under this program, which supports principally small and medium-size exports, was $579 million. Only $14 million of this was for U.S. exports to South Africa and covered items ranging from steel plant equipment to printing presses, medical equipment, can making machinery and earth moving equipment.

FCIA exporter credit insurance.—Under the exporter credit insurance program, the Foreign Credit Insurance Association (FCIA)—an association of 54 of the leading U.S. casualty insurance companies—insures export credit provided by the private sector against normal commercial risks—reinsured, in part, by Eximbank—while Eximbank provides political risk coverage. The exporter credit insurance program spreads the risk in export credits among the exporters, FCIA, and Eximbank in accordance with classic insurance principles, thereby encouraging exporters to sell abroad and the private market to provide the needed credit. Several types of insurance policies are offered, the choice of policy being indicated by the product mix, repayment term, extent of overseas activity, and credit arrangement.

Exporter credit insurance authorizations increased 20 percent in FY 1976 to $3.5 billion, reflecting the growth in U.S. exports requiring short and medium-term financing, the greater risk perceived in international lending, and Eximbank's increasing emphasis on greater private sector participation in export financing. Of this total, $26.1 million was authorized for medium-term insurance and $115.7 million in short-term shipments were covered on U.S. export sales to South Africa for goods ranging from construction equipment to agricultural machinery to trucks.

EXPOSURE SUMMARY

As of July 31, 1976, Eximbank's total exposure in South Africa, was $279.8 million. This consisted of $62.8 million in short and medium-term insurance, $71.7 million in medium-term guarantees, $105.2 million in financial guarantees, and $40.1 million in discount loans to U.S. commercial banks.

A list of Eximbank authorizations on sales to South Africa from fiscal year 1971 through August 1976 has been submitted to the Committee staff. During September (through September 15) the Bank approved $1.9 million in medium-term guarantee and insurance applications and $41,000 in discount loan for transactions with South Africa. No financial guarantees were approved in this period, and we are unable to advise at this time how much was shipped under the FICA short-term insurance program.

At present, with respect to transactions involving sales to South Africa, we have only one outstanding preliminary commitment for a financial guarantee in the amount of $6.1 million and one pending application for a financial guarantee. At September 15, we had $6.2 million in medium-term guarantee and $8.4 million in insurance applications pending and there is one pending application for an advance commitment for a $2 million discount loan.

When I last appeared before this Committee, the Bank had pending two applications for financing for two large projects in South Africa. In one, we had an outstanding preliminary commitment for a financial guarantee for sales of U.S. equipment and services to be used in two nuclear power plants. This application was withdrawn when the overseas consortium financing essential to the project was not forthcoming. We also had pending an application for a preliminary commitment to assist in financing sales of U.S. goods and services for a coal liquefaction facility known as the SASOL II project. Eximbank denied this application because of the magnitude of the financing involved, in which Eximbank was requested to guarantee $375 million, and the long-term nature of the project which would extend out to about 15 years. Based on current country conditions in South Africa, Eximbank determined that it was unable to find that the financing requested offered "reasonable assurance of repayment," as required under the Export-Import Bank Act.

EXIMBANK POLICIES

In my opening comments, I mentioned that one of our key objectives is to maximize private sector export financing. To the degree that this effort continues

to succeed, Eximbank will be able to continue to facilitate a rising level of exports within expected budget constraints and with more and more of the actual risk and commensurate decision-making in private hands. The worldwide shift in Exim programs from direct lending to backing up the private sector with guarantees and insurance, which last year accounted for a record 60 percent of our total support, reflects this effort. In the case of South Africa, albeit for national policy reasons, 100 percent of our support is in the form of backing up private sector financing—not direct lending.

The Bank's decision on whether to support particular export transactions—except in countries where the Bank as a matter of national policy is prohibited from supporting U.S. exporters—is based on the precepts outlined earlier which, in turn, are based on our legislative mandate. While final decisions are the responsibility of our Board, all Eximbank transactions are subject to review by the National Advisory Council on International Monetary and Financial Policies, an inter-agency group which coordinates the international monetary and financial policies of the U.S. Government. The Council consists of the Secretaries of Treasury, State, and Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the President of Eximbank. Depending upon the nature of a particular transaction, other agencies may be consulted as well. All South African transactions, for example, are discussed with the State Department before they are approved by Eximbank. In addition, Section 2(b)(3) of the Export-Import Bank Act of 1945, as amended, requires that a detailed statement describing and explaining each transaction involving an Eximbank loan, financial guarantee or combination thereof amounting to $60 million or more be submitted to the Congress for at least 25 days of continuous session of Congress prior to final approval by the Eximbank Board of Directors.

U.S. Government policy with respect to Eximbank support of exports to South Africa is reviewed regularly at the highest levels in the Government. After each review, it has been determined that the direct loan prohibition should remain intact. The United States Government strongly disapproves of the South African Government's apartheid policies. As Secretary Kissinger's current efforts underscore, the United States will continue to use its influence to bring about peaceful change, equality of opportunity and basic human rights in South Africa. At the same time, U.S. Government policy is based on the premise that commercial channels to South Africa should be kept open and a U.S. competitive position maintained there. Consistent with these policies, Eximbank will not provide direct loans to South Africa, but will aid U.S. exporters doing business there to the extent I have previously discussed. The Bank has, however, been extremely cautious in guaranteeing or insuring other than short- and medium-term (up to five years) credits which represent the normal, day-to-day items of international commerce.

HEARING PROCEDURE

Senator CLARK. We are going to be, as I said earlier, interrupted by constant votes. I think we have another 8 or 9 minutes now. I would like to start with two or three questions for Mr. Smith just to be sure that I understand his position because in some respects he represents a little different point of view from the other two of you here, then I would like to ask questions of the others.

U.S. BUSINESS INTERESTS EFFECT ON U.S. POLICY

Mr. Smith, what evidence do you have that the United States business vested interests really do affect the United States policy toward South Africa? In other words, I have the impression from most of what you have said and some specific things that the United States vested interests there, loans and investments, in effect say we need stability in South Africa, we need to keep the system more or less as it is, to oversimplify what you said, and, therefore, they affect United States policy toward South Africa.

What evidence is there of that, in your judgment?

Mr. SMITH. Mr. Chairman, I think I should say that it is not my understanding U.S. business would support keeping things exactly as they are. They would want things to open up; but I think they obviously would not favor a dramatic overthrow of the system.

I think I have seen a couple of examples in which I think U.S. business plays a role, some of it harder to put one's finger on, a little more intangible.

The first thing, I would say, is its ability to affect public opinion and its ability to turn out information that is read very extensively in this country, giving positions on what it is doing in South Africa and setting up a series of premises or understandings about what is happening in that country.

About 25 U.S. companies have done disclosures or reports on their involvement in South Africa because of church stockholder interest, for instance. A common theme that runs through these reports is that things are getting better, that U.S. business and banking involvement is improving the social situation there.

I hear that theme reflected again and again in some of the halls of foreign policy decisionmaking when church people talk to foreign policy makers. Whether that is a theme that Mr. Kissinger and his aides just naturally pick up or whether it is one that they have heard again and again from people they respect in business, I am not sure.

Those words get spoken again and again in the proper governmental ears, that we shouldn't have a harsh and stringent foreign policy against South Africa because things are changing. They are getting better and after all, they are our ally, the story goes.

POLITICAL DISTINCTION VERSUS ECONOMIC IMPROVEMENT OF SOUTH AFRICAN PEOPLE

Senator CLARK. Let me get a little more specific. You say change in the social system. As I view the situation, you have to make some distinction and as I say, you are expressing it, between the economic improvement of the people of South Africa on the one hand, from, let us say, the political aspect of it. I think you made that distinction in some way in your paper.

We were talking about this yesterday at this hearing. It seems to me that one could make a case that American investments, job opportunities, loans perhaps, that any money that we put there or any other foreign country or indeed they themselves invest to create jobs, does, almost certainly in my uneducated opinion, create a higher standard of living.

The question, however, is what it does to the political system. It seems to me you might conceivably take the position that you are favorable to investment for economic reasons to improve the standard of living, but opposed to it for political reasons. I don't know.

Mr. SMITH. I understand the distinction you are making. I think it makes some sense. I think, though, if you read the reports of many companies they do not make that distinction. They talk about the overall betterment of life in South Africa for blacks. Things are getting better is the phrase.

If a company was willing to say publicly that things have not improved for blacks in the social sphere, they still have to carry pass-

books, they are still noncitizens in the cities. If they are willing to say that and condemn the system that way, while talking about the economics, that would be a forward step. I haven't seen much evidence of that distinction in company statements.

Second, let me say that I think that the premise that things are getting better for blacks economically is still a premise that needs to be debated.

I think that the statistics will show that the wage gap between blacks and whites have widened, that black purchasing power has not increased substantially over the last decade, even when one looks at wages going up, we must look at inflation going up in South Africa.

I think it is an issue, an issue that needs to be discussed further about whether businesses could argue that things are improving economcially.

BLACK POLITICAL, SOCIAL IMPROVEMENT

Senator CLARK. Let me ask you this: Do you think blacks are better off in the last 30 years politically or socially? What is this, 1976, compared to 1946?

Mr. SMITH. Definitely not. The words we hear again and again from our people in South Africa, both Americans there and Africans that have worked with us over the years, and these are a whole spectrum of political opinion, from Chief Buthelezi to the people to the right of him, to more radical positions, is that things have gotten worse, that the plight of the black man in South Africa, the oppression has increased.

That is one of the things that concerns me a great deal because if U.S. business sets up an opinion in this country through its effective public relations work, that things are different than they are. I argue they have an effect on policy.

I would also just indicate for your information that many U.S. companies have supported the South African Foundation and provided tens of thousands of dollars for that Foundation's work.

We are aware of the Founation's work, which is basically to put a prowhite supremacy position before the legislators of this land and the power brokers of this country.

APARTHEID CREATION

Senator CLARK. Rather than getting into that just at this moment, I wanted to sort of stay with this question of improvement or not.

Is apartheid itself the reaction of the last 30 years or did it exist before that?

Mr. SMITH. I think if we must talk about apartheid really not being a just set of laws, a system of white supremacy. We have seen since 1948 when the nationalist came in, a set of laws encompassing or embodying the principle of white supremacy; but I think the history books show very clearly that the policy of white supremacy and certain laws was alive ever since white settlers came.

MORE OPPRESSIVE LAWS EVIDENCE

Senator CLARK. But is it your position that the laws themsleves have become much more oppressive in the last 30 years? What evidence do you have that it has?

Mr. SMITH. I think one needs only to go to the law books and look at the kind of Draconian methods that the South African Government has passed year after year. One thinks it cannot go further and then it does.

I think we have to be careful when we see some small changes such as blacks and whites being able to go to the theater in Cape Town which is often noted by many people as examples of real change. This kind of flexibility by the South African Government does not mean they are about to give up the premise of the white supremacy.

PASS LAWS CREATION

Senator CLARK. Are the pass laws the creation of the last 30 years?

Mr. SMITH. There were forms of pass control, of influx control even before 1948.

ENACTMENT OF OTHER APARTHEID LAWS

Senator CLARK. I am trying to think of the other laws. The Internal Security Act?

Mr. SMITH. The Suppression of Communism Act, Terrorism Act, all of these laws that can put people in jail incommunicado, without access to the outside world, for attempting "to embarrass the affairs of the state."

We should be clear that many Africans who have spoken out against U.S. investment in South Africa have been imprisoned and a number of the student leaders presently on trial are charged with attempting to worsen the economic situation in this country.

POSSIBILITY OF DOING BUSINESS WITHOUT SUPPORTING POLITICAL SYSTEM

Senator CLARK. Do you think that it is possible to do business in South Africa, providing jobs for blacks as well as whites obviously, without necessarily supporting the political system?

We are making the distinction here between political and economic. Do you think it is possible that foreign investments can be used in a way which would not necessarily support the political system? Do you think they just by nature will?

Mr. SMITH. I want to make clear at the outset I am not saying this is the intent of any U.S. business investor, but I think the bottom line is that those companies do wind up supporting the political system.

I think, for instance, when you are a guest in a host country, to quote Citibank or other companies, as a guest you don't criticize the host openly. You don't urge the host to change the policies of the home. You live there and you try to do business in a quiet and cordial way.

This has had to be the kind of stance that U.S. companies have taken. That means one becomes a silent partner in the system. You generally follow most of the laws unless you can get around them without being scolded or fined. You are certainly not going to come out and ask for a drastic change in the whole situation in the country.

We have through our coalition looked at the whole spectrum of U.S. company involvement, not just banks, we discover that U.S.

companies become enmeshed, they become wound up, whether they wish to or not, in that social system. They wind up supporting it politically.

Senator CLARK. Unwantingly, as you say.

Mr. SMITH. I think many of the people who are on this side of the ocean, in the corporate board rooms, would not for a minute want to be supporting that political system.

Senator CLARK. It is inevitable if they do invest or loan that they are giving support, encouragement to the system?

Mr. SMITH. I think they unfortunately get caught in a bind. I think there is nothing else that they can do.

BANK LOANS TO FURTHER SOCIAL OBJECTIVES

Senator CLARK. Let me ask the question in a slightly different way. Could bank loans be used conceivably to further—which you and others here view—the desirable social objectives in South Africa?

Mr. SMITH. I think there may be instances where that could happen, but we are talking about instances where money would go into a specific black run and controlled development project.

If we use Citibank criteria, especially the financial criteria, most of those projects would be very small and we wouldn't be talking about tens of millions of U.S. dollars going in.

Senator CLARK. Do you know of any banks that are loaning money to that kind of operation?

Mr. SMITH. I do not, but that doesn't mean that is not happening.

Senator CLARK. It is something perhaps others could address themselves to.

Mr. SMITH. I think it would be interesting to ask some of our friends in the banking community what their level of involvement is in South Africa and to what operations or what projects or parastatal agencies are their loans going and what do they consider the risks in South Africa at this time, too.

Senator CLARK. We are going to be going into that part of it; but I hadn't thought about the exact areas of the loans. I know obviously in this country we have minority loan programs in the Small Business Administration, a number of banks themselves making it a special point to address themselves to the unique problems, the problems in poverty areas, the problems particularly of minority groups.

Mr. SMITH. We have supported those kinds of programs by U.S. banks, too.

Senator CLARK. Let me turn, because I think our time is short, to Mr. Vojta and some questions about Citibank. I want to say again something that I said at the outset, that we are particularly happy that you have agreed to testify before this committee. I don't think it is that easy to do.

Of course, we are in a sense singling you out, not because of any particular purpose, although we assume that Citibank is the largest loaner in South Africa. I don't know that we have any evidence of that. Maybe our assumption is wrong.

Therefore, we felt it was logical on that basis to ask you to come and it was clear we could not have every bank that loaned. You were

willing to come and face obviously some very difficult criticism and some difficult questions. So we are pleased to have a representative of the bank here.

Mr. VOJTA. Thank you for those thoughts, Mr. Chairman.

Senator CLARK. Mr. Vojta, I want to read a couple of quotes from Mr. Smith's testimony and give you an opportunity to react to those.

VOJTA REACTION TO SMITH'S TESTIMONY

It seems clear that the provision of foreign capital to South African Government agencies and private concerns result in support for white minority rule and the status quo in South Africa.

Then in questioning, he has said that he feels that that almost inevitably supports the political system in South Africa.

What is your reaction to that?

Mr. VOJTA. Mr. Chairman, I think that I can say with reasonable assurance that based on our experience in 104 countries since 1902, in the international banking business, that our experience is that the process of social change tends to be associated over a period of time more directly to an economic system that is growing and developing; that those kinds of environments create and almost mandate opportunities for segments of the population that were previously not participating fully or participating on less advantageous terms, to get into the system and get on a path of identifiable, social, and economic mobility.

Senator CLARK. Political, as well?

Mr. VOJTA. Over time, yes.

Senator CLARK. In other words, it is your view based on the bank's experience since 1902, that economic development of the country and greater economic opportunity for the people in it lead to greater political participation and freedom?

Mr. VOJTA. Yes. That is right. I think it is also true in our experience to say that the reverse set of hypotheses is also generally true, that in social and economic situations that show stagnancy and so on, that these kinds of mobility factors in the population as a whole tend to be retarded and sometimes even more regressive kinds of social systems tend to get locked in because of that.

It is our view that the trends in South Africa tend to be going that way, during the period of growth in the country.

Albeit, I think there will be many arguable points of view as to pace and degree and adequacy and comprehensiveness and so on, and so forth, and just how meaningful one or another specific event at a specific point in time is. But what I think can be demonstrated is that in a series of finite, specific and probably in and of themselves not that significant series of events, the movie theater example as used by Time, that you string these together over a protracted period of time and in our experience it tends to move in this direction.

Senator CLARK. You would disagree with Mr. Smith to the extent that blacks in South Africa even politically now are better off than they were 30 years ago?

Mr. VOJTA. I think it would be accurate to say on an empirical basis that the political options that the black community has ahead of it at this time in this circumstance are probably wider in number and in opportunity than they were before, notwithstanding the fact——

Senator CLARK. You are saying in the future?

Mr. VOJTA. The future.

Senator CLARK. What about the present?

Mr. VOJTA. Looking at the present time, forward in terms of what might happen, but this is not to say that the record is not correct that the more stringent internal laws are there also.

We have a rather, I think, irresistible force building up here over a period of time. I think that is the way we tend to see it.

PRESENT POLITICAL SITUATION OF BLACKS

Senator CLARK. That seems to me to be the problem in a sense with your theory, at least some would argue that blacks really have not gotten better off politically.

I think one could argue a great deal about the economic situation, because at least in absolute dollars, there have been increases in black wages and so forth. The gap is often argued whether they are really any better off compared to whites.

But politically, I am not sure I would make the argument that they are better off, because what has happened is since the National Party came to power in 1948, you really have seen a much more legally oppressive system in recent years in that you have had so many of these laws that have come along, that I would be prepared to argue that blacks are really worse off in South Africa politically in 1976 than they were in 1946, that the laws implementing the apartheid system are really a very recent creation, even though some of the, as you say, so-called petty apartheid policies have been eased somewhat in the sense, as you have both said, of participation.

That is not political. That is social. It is important to keep all of these distinctions separate, economic improvements, social improvements, political improvements.

U.S. BANKS VESTED INTEREST IN APARTHEID SYSTEM

We have a couple more minutes. Let me call your attention to Mr. Smith's testimony. I am trying to find the two or three things he said that I think are most directly aimed at the disagreement so you have an opportunity to comment on these as well.

> Hundreds of millions of dollars of United States loans and $1.5 billion in investments create a major American vested interest in South Africa. In a sense the United States becomes mortgaged to South Africa. As in any major mortgage relationships, the bank has considerable interest in the financial health and well being of the person paying the mortgage. You become a de facto partner in the project. Certainly United States banking circles would not be happy if racial strife grew even more extensive in South Africa and economic chaos resulted. They have a vested interest in economic and social stability. Whether such stability is gained at the price of oppression does not seem important.

What do you feel about that? Do you have a vested interest in keeping the system available?

Mr. VOJTA. No. I don't think so. Mr. Chairman, I think the reasoning here is really based on a concept that American foreign policy and American business interests in sort of a mercantile sense follow each other around the globe and one supports the other and that sort of thing.

I think we have gone beyond that era in our history. I think the American economic interests are obviously factors to be considered in the conduct and execution of foreign policy, but on the other hand, what is going on in the private sector in South Africa, in terms of investment, commitments and activities and so on, are companies that have made judgments about business opportunities, risks, rewards, and so forth and are conducting their affairs as businessmen accountable to shareholders, either for ultimate profit or ultimate loss.

The character of the U.S. foreign policy is obviously a factor in the total assessment of South Africa and I think we must really make a distinction here between the image of the total interconnected political and foreign policy and business interests because I think we have gone beyond the mercantile age.

Senator CLARK. What about this issue of stability? You may have to face that as a loaner and a bank in South Africa. We have had uprisings now for a little over 3 months, strikes in some cases. Suppose there were to come even more widespread strikes and more uprisings? Wouldn't that discourage you for loaning?

Mr. VOJTA. I think, yes, Mr. Chairman, as we describe in our longer submission, I have referred to the procedure that would be used for evaluating the risk.

Senator CLARK. I want to come back to that.

Mr. VOJTA. If you will note there, among the factors considered are obviously the social conditions prevailing in the country, international developments that may affect the total viability of the system and if a combination of those factors as well as economic factors should turn the situation into a difficult one in terms of its viability, there is no question about it, that the management of any business enterprise will in those circumstances be moving to moderate risks and exposure and avoid losses.

Senator CLARK. Don't you have a vested interest in stability?

Mr. VOJTA. I suppose that is right, but it depends on what kind of stability. If there is a pattern that over a long period of time does not in the experience of economic and political development appear to be sustainable, the short-term stability that is producing short-term quiescences may be developing longer term problems.

That has to be assessed as well.

Senator CLARK. You don't see a circumstance in which stability would become so important to you as a person, as a bank who has a lot of investment there, that you would find yourself either trying to affect public opinion or foreign policy as a bank or as people associated with the bank.

Mr. VOJTA. We simply cannot do that, Mr. Chairman. We have to interpret events as they arise and make the best professional judgment that we can as to what those events mean to our business position and if we reach a negative judgment, we have obviously to take necessary steps.

I think my basic answer is that we can't put our total judgment simply on one variable which may be short-term stability; that one variable in this kind of assesssment, as I think the flavor of that might suggest to you, would simply be too simplistic and mechanistic a way to evaluate something that is as subtle as the way the economy in a society is moving, as to what the basic trends are.

Senator CLARK. You don't see Citibank either going privately to the South African Government or the American Government or going publically to American public opinion and saying these things are bad, they bring about instability, we would like to even in a subtle way see this stopped because we have investments there?

Mr. VOJTA. Yes. I think the comments we made about the rendering of public judgments in my earlier statement I think would apply here. We would not for good or for bad in any country take that kind of a posture. Our only answer to trends one way or the other can be in the extent and the terms on which we do business.

Senator CLARK. Thank you very much.

HEARING PROCEDURE

I am going to have to vote. I understand there are three votes in a row here.

If that is the case, it will be about 20 minutes before I can return. If it isn't, I will be back right away. Thank you.

[A recess was taken.]

Senator CLARK. The hearing will come to order.

It is possible that we will get a solid hour here. I want to discontinue the hearing by 1 o'clock if at all possible.

The Senate will recess, I think, from 12:15 until 1:15 to go into joint session to hear the President of Liberia. While that is occurring, hopefully we can finish our hearing.

There may be one more vote.

CITIBANK PRESENCE USE TO GOVERNMENT

I wanted, Mr. Vojta, to try to get more specific about your testimony, relating to the questions that we have already looked at and talked about.

I notice in your testimony you establish the criteria for doing business or as you call them an outline of the policies governing Citibank operations in other parts of the globe.

Under that, in point 2, you say "Under these circumstances, Citibank can survive only if we are successful in demonstrating to the local authorities that our presence is useful to them."

Do you feel that your presence is useful to the local authorities in South Africa? By the local authorities, I guess you mean the central government in this case.

Do you feel that your presence is useful to the Government of South Africa?

Mr. VOJTA. I think in terms of making through our facilities, facilitating the growth and diversification of the economy, I think the perception of the local authorities would be yes.

CITIBANK INVESTMENT STANDARDS

Senator CLARK. I notice that in these policy outlines as the rest of your testimony indicates there is no attempt by you to make a judgment on the political nature of the regime. I think at one point in your testimony you were talking about the fact that you do business in the Soviet Union.

So I think it is fair to say that you make no ethical judgments as to who the customers are and I don't want to push this point at you too hard, but I would like to discuss that with you for just a moment and try to think of an almost extreme example—indeed, it is an extreme example in which I am wondering if the ethical standard in fact wouldn't be used.

Suppose you were asked, maybe you were, you have been in business since 1902, let us say by Adolph Hilter to loan to their government. You under these standards would clearly do that, wouldn't you, if it was a good investment?

Mr. VOJTA. I think not. The context in which that would have arisen would have been, I think, a situation of extreme international uncertainty, depending on your time frame, war probably would have been on.

Senator CLARK. Certainly during the war, I think there would have been laws to prevent you from doing it then, but I was thinking really of the thirties. Here is a government that is really expanding economically, they did a tremendous amount in Germany, they were really very successful economically, I think it would be a tremendous investment in terms of all of the criteria that you have set out here.

Why not loan to them if there is not to be any moral or political judgment made?

Mr. VOJTA. I think the point we are trying to make, Mr. Chairman, is that the character of political order and administration in a country is a fact. It can be described in an objective way and it can be analyzed in terms of what impact it will have on the total system over time and in the short run.

These kinds of judgments as to whether or not you do business, what kind of business, really have to be made in the context of what is the specific situation that is involved, what time are we talking about and what would be the judgment factors that would be involved.

Senator CLARK. You would look at all of these factors. But you see none in your present policies that would prevent you from loaning in a situation like an Adolph Hilter?

Mr. VOJTA. If you put it at the point where the most abominable stage has been reached, I think the prognosis for any economy would probably be extremely limited and it probably would not be defensible on a business judgment.

Senator CLARK. But if it were defensible on an economic basis——

Mr. VOJTA. I don't think I can separate the two and we don't.

[The following information was subsequently supplied:]

ETHICAL JUDGMENTS OF CITIBANK CUSTOMERS

During the course of my testimony, Senator Clark suggested that Citibank makes "no ethical judgments as to who (its) customers are and, "under these standards" [presumably those which I cited as determinative under our country risk evaluation procedures], Citibank would likely have made a loan to Adolf Hitler's government. I denied the suggestion but would like to amplify my remarks.

Hitler's regime was a gangster regime bent on military expansion and the physical extermination of its internal enemies; its word was worthless. The world did not immediately perceive this—and I cannot assert retroactively that Citibank would have been prescient enough to see it before the U.S. Government did. However, I can say that once we came to understand the essential nature of the Hitler regime we would not have done business with the Nazi government.

Senator CLERK. Suppose taking a more practical example, because that is an extreme example and I don't mean to compare Nazi Germany with South Africa, that is not my purpose in raising it, but rather to take an extreme example. Let us look at South Africa itself.

Many people feel that South Africa may deal with these uprisings. Indeed, there is some evidence that South Africa will deal with these uprisings in a very hard way. They have arrested most of the leadership of the opposition movements and although I think it is still too early to tell whether that is going to be terribly harsh reaction or whether, in fact, it may end up giving some to black demands, but let us assume something may very well happen, you may well have yourself in the position of having to deal with; say, a great repression and people are shot and it is put down very successfully and great stability is reestablished and the economy still continues to grow.

I would gather the degree of oppression that they might use to put down strikes might not affect your attitude as long as the other criteria here were maintained.

Mr. VOJTA. I think I would answer that in this way: There is no question about the fact that the current events in the country, disorders, strikes, and so on, have to be viewed as a very serious matter by any investor or credit to the country.

We have seen that during the period of work stoppages and absenteeism and so on, the economy has been placed into a temporarily dislocated situation. This is going to be dealt with one way or the other.

We, I think as with everybody, are watching to see how that is done. There would be a way to take that which would be responsive to the interest groups that are currently involved in the situation there, in such a way as to restore some kind of equilibrium to the system through the long run or it could go in different directions.

When these situations arise—and they do in our business universe arise all the time; an example, how does one judge the current unrest in Lebanon where the country has been in a state of internal disarray for some time?

As these trends develop one way or the other, the business judgments must be made in terms of moderating or restricting risk so that in the best professional judgment you can make, you are dealing with the circumstances in an appropriate reactive sort of way.

Senator CLARK. But not in a moral or political way?

Mr. VOJTA. A moral and a political way in the sense that to the extent that certain actions spill over to be effective on the total situation——

Senator CLARK. On the economic and other.

Mr. VOJTA. But do we as a specific matter advocate or publish or as you said, in the most constructive sense, propagandize in an ethical, political way in terms of a value system that we might have, we would not do that.

We don't think that it is the role of the private businses corporation to pass judgments like that on sovereign governments.

Senator CLARK. I don't want to push this any further except that I want to be sure that I understand before leaving it what I hear you saying, that even in South Africa if it were to become more repressive politically, much more repressive, if they still met the economic and

other criteria that you have outlined here and that you have talked about in more detail, you would feel that you probably would continue to do business with them?

In other words, unless that impression has an impact on these other factors, you wouldn't consider that in terms of your continuing loan policies?

Mr. VOJTA. My judgment on that would be that if repression were accelerated, it would probably have consequences that would be adverse to the performance of the economy.

Senator CLARK. You don't think that could ever be separated?

Mr. VOJTA. I doubt it. But that is my view.

Senator CLARK. But, at this point, Citibank does not really feel as the bank of Pennsylvania Mr. Smith quotes, that that is a policy that you would want to subscribe to; namely, that you discontinue loans to South Africa?

Apparently they have made this decision on some kind of political or ethical basis. That is not a position you would support?

Mr. VOJTA. It is not a position that we can support because we feel that that would violate one of our basic values in this sense, which is that it is not proper for a private business institution to make those political judgments in an explicit way.

EXTENSIVENESS OF CITIBANK LOANS TO BLACK AFRICA

Senator CLARK. I haven't thought about it before, but do you make extensive loans in black Africa?

Mr. VOJTA. Yes. We have an extensive presence in black Africa.

CITIBANK LOANS IN RHODESIA

Senator CLARK. In Rhodesia?

Mr. VOJTA. No. We are not directly in Rhodesia. We have an investment in a British bank, Grindlay's Bank which has branches in Rhodesia. But since the declaration of independence by the Rhodesian government from the British, the bank has been cut off from its branches there in terms of having any contact, communication or audit access to the business.

Senator CLARK. Is that a legal or political matter?

Mr. VOJTA. That is a matter that flows from the relationship between the United Kingdom domiciled bank which Grindlay's is and the state of affairs, vis-a-vis Rhodesia.

Senator CLARK. It is not a policy decision, it is a legal decision.

Mr. VOJTA. If I might say so, we are directly in nine countries in sub-Sahara Africa, among them Kenya, Liberia, Nigeria, Gabon, Senegal.

Senator CLARK. Do you remember the others?

Mr. VOJTA. I could give you a list of that.

Senator CLARK. That is fine, if you could.

[The information referred to follows:]

At present, Citibank has branches in Gabon, Ivory Coast, Kenya, Liberia, Mauritius, Nigeria, Senegal and Zaire as well as South Africa. Our branches in Dakar, Senegal and Libreville, Gabon, were opened this year. We have branch applications pending before the appropriate governmental authorities in several

other sub-Saharan African countries. In North Africa, we have direct representation in Egypt, Morocco and Tunisia. In addition to the countries noted above, through its 49 percent investments in Banque Internationale pour l'Afrique Occidentale and in Grindlays Bank, Citibank operates in Benin, Cameroons, Central African Republic, Chad, Ethiopia, Ghana, Mali, Mauritania, Niger, Togo, Uganda, Upper Volta and Zambia. (While we have also listed Angola as a country in which we have a presence, the management of the Banco Inter-Unido, our 50 percent owned subsidiary, was taken over a year ago by the government, and we have been out of contact since that time. Similarly, Grindlays has four branches in Rhodesia but they are completely cut off from the head office in London—i.e., no communication, dividend remittance, external audit, etc., in compliance with U.K. laws regarding investment in that country.)

Mr. VOJTA. Then we have an investment in a French-based bank called the BIAO for short, we have a 49-percent investment in that. That bank has direct representation in most of the Francophobe countries in West Africa. So we have a very extensive involvement.

Senator CLARK. I do see we have to leave for one more vote apparently in 5 minutes.

CEILINGS ON CROSS-BORDER EXPOSURE

I was impressed by your testimony and particularly interested in your description taken, I believe, from your 1975 annual report describing the process for determining country risk.

I would like to follow up with just a few specific questions concerning your policies in these areas.

You refer to the ceiling on cross-border exposure; in other words, the ceiling that you are prepared to give any individual foreign country. You have established that apparently in each country in which you do business.

Maybe you said this already. How many countries do you do business in?

Mr. VOJTA. 104.

Senator CLARK. 104 countries out of however many countries there are, 150 or something like that. You have a ceiling on each of those?

Mr. VOJTA. Yes.

Senator CLARK. So you know how much you are willing to go up?

Mr. VOJTA. Correct.

Senator CLARK. In a November 24, 1975, issue of the International Outsider out of London, the editor writes—

In conditions of strict secrecy South Africa is raising substantial amounts of short-term—that is, up to 3 years they say—money according to informed banking sources. Most of these deals are being provided on a single bank basis. As a result, a growing number of international banks are reaching their lending limits to the country and are turning down invitations to participate in the syndicated loans claim the sources.

How does that strike you? Do you think that is accurate?

Mr. VOJTA. I think that this is ultimately determined by a series of individual decisions by the specific banks involved. Every banking institution in international banking has some procedure like this, although we think ours is probably as comprehensive as anybody's.

At any one time when a bank may reach a judgment on whether conditions are good or bad from the point of view of a concentration in its loan portfolio, and it chooses to pass up a business opportunity, others may be making exactly the same decision or the reverse of it,

My general impression is that in the period that is described there, that that is correct, that there were entities from South Africa, some of the State agencies and so on that were in the market for short-term accommodations, acceptance kind of financing, and the rest. They were successful by and large.

Senator CLARK. So most banks have reached their limit individually?

Mr. VOJTA. That is very difficult to say because each bank has its own method for doing this and reviews them with certain differing frequencies.

So, of course, they don't publish those limits externally. So it can be adjusted almost at any time; probably some of them have, but that is true in many other countries as well.

CITIBANK LOAN CEILINGS

Senator CLARK. You have a limit for how much your bank would loan South Africa. Are you willing to tell us what that limit is?

Mr. VOJTA. We don't publish that.

Senator CLARK. You don't publish any of it?

Mr. VOJTA. No.

Senator CLARK. What about other countries?

Mr. VOJTA. We don't do that either.

Senator CLARK. Nobody knows what your company's ceiling is on any country in the world?

Mr. VOJTA. Right.

Senator CLARK. Why is that?

Mr. VOJTA. For many reasons, the most important of which, of course, is that matters affecting financial arrangements with customers on an individual basis are customarily confidential in the banking process; second, the fact that a bank, for one reason or another, may choose to limit its exposure or manage to a certain level and so on has, of course, larger implications were that to be made a matter of public record.

That is simply an internal risk judgment, but it could have very significant psychological effects in the marketplace and have a prejudicial effect on either a private customer's or a Government customer's ability to raise necessary finance to keep his affairs in order.

So customarily, this has never been done.

Senator CLARK. Who does know it, just out of curiosity? You know what that limit is. I guess, and some executives in the bank know it. How restrictive is that?

Mr. VOJTA. It is known internally by the management structure that is responsible for the affairs of the corporation, in that market. It has to be obviously. It is expressed in terms of external communications to customers by specific decisions, yes or no, on accommodations that the bank is prepared or not prepared to make.

Senator CLARK. What about your owners? Do they know?

Mr. VOJTA. The owners know that we have a procedure.

Senator CLARK. They don't know what the limit is?

Mr. VOJTA. The limits change all the time.

Senator CLARK. But they can't find out?

Mr. VOJTA. We would generally not do that. But we would tell them as much as we could about the process and procedure that is involved in setting it up.

STOCKHOLDER RIGHT TO KNOW INVESTMENT CEILING

Senator CLARK. I am really interested in whether the stockholders, whose money you are investing, would have the right to know. Suppose they were interested in the political situation in South Africa and felt, I don't want my money going to South Africa, rightly or wrongly. They couldn't find out from you what your limit is?

Mr. VOJTA. The customary practice, of course, is that in on-going situations the bank never discusses its specific pattern or size of obligations to customers. It would come up in the event for example, if the bank made a loan to a customer who had to fight off a bankruptcy or something, and it became a matter of formal creditor proceedings or something of that nature, then it would be an appropriate subject.

Senator CLARK. One of Mr. Smith's churches, by that I mean the church that he represents, had an investment in Citibank, say, and it became an issue in the congregation, let us see if any of our money is going to South Africa and if so how much, how would you respond to that request?

Mr. VOJTA. In somewhat the language that I have offered to you in general ways and focusing specifically on the management procedures that are used. Our position with any stockholder would be to demonstrate the professional competence of the management and to assure them that all risks are being managed prudently for the maximization of stockholders' benefits.

Senator CLARK. If they said, what is the limit, you wouldn't say?

Mr. VOJTA. No.

[The following information was subsequently supplied:]

Senator Clark asked whether Citibank's stockholders, whose money is being invested, have "the right to know" the amount of the various risk limits which Citibank determines with respect to the countries to and within which it makes loans. As I mentioned in my testimony, a country risk limit is essentially an internally determined credit rating applicable to a particular country. Citibank has an established procedure for setting country risk limits and for periodically adjusting them to adapt to political, economic, and international developments. While our directors, who are elected by the stockholders to represent their interest, do have access to data on country exposure limits, we do not make this information available to the public for one special reason. That is, because of Citibank's preeminent position as an international bank, we believe that we have a special responsibility to avoid any action that would affect markets either in the major financial centers or in particular countries.

CITIBANK SOUTH AFRICAN CEILING

Senator CLARK. Can you tell us in less than 20 seconds, because I have to leave again, whether or not you are approaching your limit on South Africa now, without telling us what the limit is?

Mr. VOJTA. I would say, at this particular time, the bank is evaluating its present position based on the most recent events; that is being given careful attention. There are two or three other countries in the world that are in the same category.

Typically, while those reflections are going on, the limits don't change up or down until the deliberations are completed.

Senator CLARK. So you have an absolute limit?

Mr. VOJTA. No. I wouldn't say that. But typically, the total exposure is held at a position more or less where it is. It could go up slightly or down slightly while that deliberation is being carried on.

Senator CLARK. I gather you don't care to tell us whether you are approaching that limit?

Mr. VOJTA. I can't say that.

Senator CLARK. You can't say that one way or another. So you may be way below the limit, way above the limit, or somewhere in between.

Mr. VOJTA. May I point out, too, that within this general limit we have various types of risks. They can be longer or shorter term in nature. They can be specific. One response to a changing situation is to restructure the kinds of risk that are taken. That is another line.

Senator CLARK. We will recess for 5 minutes.

[A recess was taken.]

Senator CLARK. The hearing will come to order.

Mr. Vojta, you mention a number of criteria used in setting the ceilings that we have just been talking about. Under item 2, you have political conditions and outlook, social conditions and international position and relations.

In the past year or so, South Africa, as we have been discussing here, has experienced some drastic changes in all of these. Its borders have changed; that is to say, Mozambique and Angola have become independent; it has experienced obviously a great deal of social and political unrest internally.

You have spoken to this just briefly. More specifically what effect have these events had on your determination of the country's ceiling in South Africa? Have you revisited it in the past few months?

I think you said it is under consideration now. Can you expand on that at all?

Mr. VOJTA. Yes. It would be accurate to say that I think over the last 2 years exposure limits that we have set——

Senator CLARK. A little louder.

Mr. VOJTA. Over the last 2 or 3 years, these limits that we have set for our business in South Africa have undergone several revisions as many of these events have taken place; that has been reflected both in the size of our commitments there and also the types of business that we have done in terms of the maturity of loans that we might consider.

So this has been a situation which has had that kind of attention.

SOCIAL UNREST REACTION

Senator CLARK. Can you tell us what effect it has had, not just the processes, but are you more skeptical as a result of this or less skeptical? What kind of reaction do you have as a result of the social unrest?

Mr. VOJTA. I think it wouldn't surprise you to hear me say that as the events in southern Africa unfolded and as we have had cases and incidents of internal unrest in the country, that one in those circumstances becomes more conservative in risk.

Senator CLARK. What do you call it, a level classification, high risk?

Mr. VOJTA. Yes.

Senator CLARK. Has that changed as a result——

Mr. VOJTA. No. I wouldn't say that. We don't typically say, we don't rank the countries like that. We just make the adjustments in terms of the amounts and actual total mixture.

Senator CLARK. The terms, the amounts?
Mr. VOJTA. Correct.
Senator CLARK. Would it be fair to assume that those have changed?
Mr. VOJTA. Yes.

SOUTH AFRICAN LOAN MATURITY

Senator CLARK. Because of the problems created there. You also state that the majority of Citibank loans outside the United States mature in less than 1 year. Is that true of loans to South Africa?
Mr. VOJTA. Yes.
Senator CLARK. Most of your loans mature in less than 1 year?
Mr. VOJTA. Yes.

PUBLICATION OF LOAN PARTICIPATION

Senator CLARK. After you make a sizable loan or participate in a large syndicated loan, what is the process for communicating that participation to the world?

Is it usually made public when you make a loan, a syndicated loan or a private loan? Do you usually publicize that?

Mr. VOJTA. It varies. In some cases it is, in some cases it isn't.

Senator CLARK. What would make you decide that? I am not in the banking business, and frankly, I don't know much about it. But sometimes if you make a big loan or enter into a big loan, you publicize that?

Mr. VOJTA. Yes. We do.

Senator CLARK. Why?

Mr. VOJTA. I think there are certain kinds of loans in terms of the custom and practice of the banking business which take the form of syndicated commitments for example, in the Eurodollar market which would ordinarily be the subject of an announcement as to who the managers were, who are the participating banks.

There are other kinds of accommodations that are done at borrower's preference on a private basis and so on. In those cases, announcements would not routinely be made.

Typically, specific lines of credit to companies that are a matter of just relationship between the institution and the customer are not disclosed by the bank. You would find those in the published statements of the companies usually, in terms of their financial reports.

Senator CLARK. Would they do it partly because they want the general public to know they made that loan? Otherwise, you could notify them individually. You pay a lot of money, I assume, to do that. So is there a certain pride in making loans?

Is that a consideration or not? You are involved in a large syndicated loan?

Mr. VOJTA. There is pride on some loans that govern publicity and there is not so much publicity value on others. It depends on what the relationship with the borrower is.

Senator CLARK. I guess a lot of large loans are advertised through something called large transactions or advertised through something called tombstones. What is that? I am going to show one in a minute.

Mr. VJOTA. A tombstone, as it is used in the profession, usually takes the form of an advertisement which contains the principal dimensions

of a financial transaction. It would typically show the borrower, the amount, it may or may not show the interest rate conditions.

It would normally show the leading banks or financial institutions that will arrange the financing as well as the participating institutions listed underneath. That is the typical form.

Senator CLARK. Here is one in today's Wall Street Journal—Hydro-Quebec. That is a tombstone. All the people that are participating in the loan, the fact that it is a quarter of a billion dollar loan, 8.60 percent debentures, series CZ, due 2006 and so forth. We might make that a part of the record at this point to see what we are talking about.

[The information referred to follows:]

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Wall Street Journal

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LACK OF LOAN PUBLICITY [TOMBSTONE] FOR SOUTH AFRICA

Senator CLARK. My question is, of course, Why are there no tombstones for South Africa? What is your guess?

Mr. VOJTA. I think it is the combination of the borrower and the type of financing that has been usually—as I mentioned, there are two kinds of syndicated credits. Some involve a smaller number of institutions and tend to be more private in terms of both the basic arrangements and the publicity.

Senator CLARK. Some of these loans are individual loans from a bank, others are groups putting together much like the ones we have seen?

Mr. VOJTA. You are correct. The custom has been not to put tombstone publications around most of the transactions for the public sector.

Senator CLARK. We have been, I guess, looking for these. We haven't seen any for a very long time. Do you have a recollection?

Mr. VOJTA. That is correct. I would be hard pressed to remember when the last one was.

Senator CLARK. What is your interpretation of why this is? You have said it briefly. I think you said first that the borrower might not want to have it published. Why wouldn't South Africa want people to know they borrowed money from Citibank or somebody else?

Mr. VOJTA. It is a matter of people's views on how confidential or how public they wish their affairs to be and the lending institutions have opinions on that as well.

Senator CLARK. Do you have the impression that South Africa would prefer not to have their loans listed? It seems to me it could go either way. You are under the impression in dealing with South African borrowers that they would prefer not to have them made public?

Mr. VOJTA. I think we have to distinguish between types of publicity because the South African Government's debt position and its principal credit arrangements and its debt servicing obligation and so on is well known and can be found out.

So from that point of view, I think there is no hesitation on the part of the Government to disclose that.

Senator CLARK. So as far as you know, the South African Government is not reluctant to have it publicized. Is that what you are saying?

Mr. VOJTA. I think that is right.

RELUCTANCE OF U.S. BANKS TO PUBLICIZE LOANS

Senator CLARK. So the reluctance tends to come in the case of the United States from the banks themselves.

Why would they be reluctant? Because they feel it reflects badly on them or not?

Mr. VOJTA. I don't think so. I think the nature of the loan transactions, as I have said, has developed over the years into this profile. That is the custom. The custom dictates a lot of this. There are many other countries that do this as well where typically the loaning arrangements concluded are not subject to the tombstone advertising.

As a matter of fact, I could say there are a substantial number of cases and amounts of the total international credit picture that are handled in this way for a variety of reasons.

COUNTRIES WHERE CITIBANK WOULD NOT ADVERTISE LOANS

Senator CLARK. Can you think of other countries where you just wouldn't, if you made a loan, advertise it?

Mr. VOJTA. Wouldn't? Or may I just say don't?

Senator CLARK. Wouldn't, I guess.

Mr. VOJTA. I think in almost every country that we do business in some portion of the credit that is extended is not published at all.

Senator CLARK. But most of it would be?

Mr. VOJTA. No, not necessarily.

Senator CLARK. Why wouldn't you? You have made loans obviously to the South African Government or I think you have, and to others there. You never have tombstones. What is your reasoning and what is Citibank's reasoning for not publicizing them?

Mr. VOJTA. As I said, typically, I think I described our general loan portfolio. We tend to make specific loans to specific government agencies for specific purposes. That is not the typical broadly gaged syndicate participating that is normally reflected in the tombstone. That is the nature of our principal lending function.

POLICY REGARDING LOAN PUBLICITY

Senator CLARK. What about your nonprinciple, what about those cases where you do enter? Why don't you publicize those? You don't, obviously. What is the policy?

Mr. VOJTA. That has been a typical transaction with a small number of banking institutions which has customarily occasioned that kind of procedure. If that changes, I think we will do that.

Senator CLARK. Is there an unwritten policy, would you say, among banks in this country, that there will be no advertising or little or no advertising to South Africa? Presumably they don't do it. I guess you could say that is the case.

Mr. VOJTA. They don't do it.

SIZE OF CITIBANK SOUTH AFRICAN PORTFOLIO

Senator CLARK. In your testimony, you mention that you make loans in foreign currencies and at the present time your portfolio in South Africa is larger in Eurodollars or foreign currencies than your local portfolio; that is, your local one in South Africa.

Can you tell us what is the size of your portfolio in South Africa?

Mr. VOJTA. I think you can deduce that, Mr. Chairman, from the date we give you on our capitalization which is U.S. $11.5 million and by local law, the liabilities that can support that cannot exceed 16 times that level.

So the liabilities support the loaning activities. So the range of the assets in South Africa is in the range of that number, U.S. $175 million, equivalent.

EURODOLLAR LOANS

Senator CLARK. I think what we are really asking for is your Eurodollars loans in South Africa.

Mr. VOJTA. We wouldn't ordinarily give a specific figure on that. But as you can deduce, we said it is larger, slightly larger. So I think you can infer.

Senator CLARK. Slightly larger than the $11 million.

Are most of those loans made in Eurodollars through your European branches?

Mr. VOJTA. Yes.

Senator CLARK. Are they through your New York office?

Mr. VOJTA. Most of the loans, basically roughly 85 percent of the foreign currency loans are in Eurodollars.

Senator CLARK. In Eurodollars?

Mr. VOJTA. Yes.

DETERMINATION FOR WHERE MONEY COMES FROM

Senator CLARK. Why is that? What determines where the money comes from?

Mr. VOJTA. Maybe I might just explain briefly. The Eurodollar market is a pool of U.S. dollars that circulates outside of the United States. The amount of that market, the total size of that market at the present time is on the order of $250 billion.

It has, as you well know, been a market that has been in existence for over 20 years now. It has been growing very dramatically over this period of time.

The Eurodollar market is accessed by governments, private corporations, even individuals for loans in U.S. dollars, outside of the United States and it is a market in which the principal international banks operate by making markets for the liquidity that is involved in that market.

They use the market to source on the deposit side the international loans that they make in U.S. dollars. So what I am saying is that the Eurodollar market is really the main arena for international lending of this type and has become so as it has evolved over the last 20, 25 years.

It came into being, as you might recall, as a kind of a market reaction to the period in the United States when limitations were placed on the external lending activities of the American banking system from the United States and there were controls on that, as you recall, but since the United States was continuing to run a deficit in its balance of payments in those years, that pool of dollars outside of the United States began to grow and gradually it became the Eurodollar market it now is.

The Euromarket also has developed a set of practices and procedures for international lending that are essentially simpler and more efficient to accomplish than the procedures in practice, that have been in existence for instance in the United States. So the market has simply developed for all of those reasons.

It is now used by the principal international lenders as their main arena for operations.

Senator CLARK. I am kind of curious. You say you don't normally give figures for your Eurodollar loans to South Africa.

Mr. VOJTA. Or for any country.

PORTFOLIO SIZE

Senator CLARK. But you are willing to make known the sizes of your local portfolios. What is the difference? Why not your international loans?

Mr. VOJTA. The local business in South Africa that is done by our banking subsidiaries must be published as a matter of local law.

Senator CLARK. You'd just as soon not do that, but you have to do that?

Mr. VOJTA. That is right.

SOUTH AFRICAN GOVERNMENT LOAN HOPES

Senator CLARK. Another question. We heard, we believe, from pretty reliable sources that the Citibank is among a number of New York banks that have been approached by the South African Government in hopes of obtaining a half a billion dollar loan after apparently our gold swap with Iran broke down. Is that correct?

I am not speaking necessarily of the Citibank? Is that information generally correct according to your knowledge?

Mr. VOJTA. I think you probably might have seen some published articles in the United Kingdom press recently that indicated that. It is true that there are discussions in progress.

The amount that you mentioned is quite a bit exaggerated.

Senator CLARK. The amount is quite a bit exaggerated?

Mr. VOJTA. Yes. But it remains to be seen if, in fact, those discussions are concluded.

Senator CLARK. I can't quite hear you.

Mr. VOJTA. It remains to be seen, the discussions have not been concluded. They are in process. It is under negotiations. I can't say whether or not, in fact, that will materialize.

Senator CLARK. Just to be accurate about it, then, the $500 million is an exaggeration, it is something less than that, and they are under discussion, but certainly haven't reached fruition. Is that it?

Mr. VOJTA. Correct.

Senator CLARK. Our records show that Citibank is participating in nearly half a billion dollars worth of term loans in South Africa, according to our information, these include $200 million loans to Escom, made in 1976; $150 million loan to the Richards Bay Titanium Development Project, also made in 1976. And an $80 million loan to Iscor—South African Iron & Steel Industrial Corp., Ltd.—in 1976, and a second loan for $50 million, the same Iscor, in 1975. Are those not correct?

Mr. VOJTA. I don't have any details of our loan portfolio with me, but those are the types of loans in that area that we have participated in. I can't vouch for the particular loans or for the amounts.

Senator CLARK. They sound generally correct, but you wouldn't vouch for them?

Mr. VOJTA. That is right. I would be happy to look at that and perhaps communicate with you.

Senator CLARK. That would be excellent, if you could supply those for the record at this point.

[The information referred follows:]

CITIBANK TERM LOANS IN SOUTH AFRICA

Considerations of confidentiality preclude an answer with respect to specific transactions, although these are, in general, the kinds of projects with which we are involved, and projects loans of the size cited here are likewise typical. As indicated in my testimony, Citibank participates in major international loan syndications to finance various kinds of projects and frequently, through its London-based affiliate, Citicorp International Bank Limited, organizes and manages such syndications. I would like to make clear, however, that even in multi-million dollar syndicated project loans where Citicorp International Bank Limited is the manager, Citibank will only take a relatively small portion (usually 10 percent of the loan for its own account, the other syndicate banks doing likewise. It is in this manner that the commercial risks involved in the large international project loans are shared by the members of the world banking community. The South African loan currently under discussion is less than half the $300 million which was mentioned in the press after I testified that $500 million was an exaggeration. If it materializes, Citibank's participation would be determined by our normal policy discussed above.

Mr. VOJTA. But generally, as I mentioned in the testimony, the types of loans relate to mining projects and the extractive industries in general has been an important part of the lending activity in the country.

BOND TRANSACTIONS

Senator CLARK. Do you participate in any bond transactions with South Africa?

Mr. VOJTA. To the best of my knowledge, that has not been done.

Senator CLARK. If you find out it is different, please let me know.

[The following information was subsequently supplied:]

In checking, our records show that we have participated in bond transactions which raised longer term funds for industrial and infrastructural projects. Attached are the most recent tombstones.

DENIAL OF TRANSKEI LOAN

Senator CLARK. Mr. Smith raised this whole question of loans to the homelands. It is my understanding that you have recently decided against a loan to the Transkei. Is that true, and if so, why?

Mr. VOJTA. I did want to have this opportunity, Mr. Chairman, to say that the loan to the Transkei that is discussed in this statement, has not been made. We do not have such a loan on our books.

Senator CLARK. You have not made any loans in the Transkei and you decided not to do that?

Mr. VOJTA. At this time, I think the whole situation with regard to the Transkei is totally unclear as to what is going to be involved. It is impossible to understand things like what the budget will be, how the fiscal affairs will be conducted and so on.

It is totally premature to make any kind of a judgment as to what they might do. Of course, we are well aware as everybody else that the homeland policy, per se, is a very controversial subject.

U.S. TRANSKEI INDEPENDENCE RECOGNITION

Senator CLARK. I am wondering particularly if it wouldn't put you in a difficult position if the United States refuses to recognize the independence of the Transkei which I think they will do. That makes a difference.

Mr. VOJTA. Under our check list of relevant variables, that would be considered by us to be a significant international development in the total assessment.

NAMIBIAN INVESTMENT

Senator CLARK. I suppose the same would be true of Namibia if the United States were to take a position at some point or to take a different position legally at some point.

Mr. VOJTA. That is right. We have no business involvement there at this point.

Senator CLARK. You have no business involvement at all in Namibia?

Mr. VOJTA. Although we have had contacts with many people who are involved in the situation in Mamibia just as a matter of staying informed. That is strictly routine.

CRITERIA FOR SOUTH AFRICAN ECONOMIC ASSESSMENT

Senator CLARK. To go back briefly to your criteria for a county assessment, you mention a number of items, debt service ratio, imports in relation to GNP, growth in external debt, debt servicing, profile of existing debt and so forth.

Could you briefly evaluate the South African economy for us in terms of these criteria? Do you have a general impression based on this criteria of what is happening economically in South Africa?

Mr. VOJTA. Yes. Traditionally, from a strictly financial point of view, the management of the South African economy, particularly its external position, has been quite well conducted.

The country like any country going through a period of growth, tends to be a net importer of capital funds and other durable goods that build either the infrastructure or the industrial base of the economy. That has been going on for a number of years in the country.

But the level of debt service has been kept to what by financial yardsticks would be considered acceptable proportions.

The recent events with regard to the problems with the South African exports and the price of gold as well as the effects on the country of the increases in energy costs associated with the OPEC—Oil Producing and Exporting Countries—decisions of 2 or 3 years back, caused severe balance of payments difficulties in terms of a large current account deficit.

This, by the way, was true of almost every country in the world. South Africa has had to go through a process of adjustment to this extraordinary deficit situation, compounded particularly by the gold phenomenon as it is signficant for the South African economy.

Senator CLARK. Let me just say, I don't think that microphone is working.

Mr. VOJTA. I am sorry. I will try to speak louder.

So the managers of the South African balance of payments have been coping with this problem for 2 or 3 years. As you mentioned in your opening statement, it has been necessary to devalue the currency as one of the means to bring the balance of payments back into equilibrium.

I might say, Mr. Chairman, that very similar patterns of external finance in this sense have characterized many ot the countries in the world and during this particular period, the phenomenon of devaluations, the restriction on imports to keep the current account in some better semblance of equilibrium and the recourse to external financing, to cushion the adjustment process has been quite a typical financial strategy to follow in this period.

Most countries have preferred to borrow in the short term, to push that, rather than run exchange reserves down to unacceptable levels.

LOAN DISCONTINUANCE POLICY

Senator CLARK. Let me keep going. I don't mean to cut your short. It is, I see, 10 minutes after 1. I know that these questions require rather extensive answers. But let me try to push on.

You have already said that obviously your bank has come to a different conclusion from those in Maryland and Pennsylvania about discontinuing loans to South Africa. I want to point out to you also that at least it is our understanding that the banks in Japan usually make foreign loans together with the fund, I think, for international economic cooperation or the Export-Import Bank of Japan and that neither of these bodies has been doing any lending in South Africa, at least of late, in fact, setting a tone which has kept any Japanese banks, I think, from participating in loans in South Africa.

Were you at all aware of this policy?

Mr. VOJTA. That is not my total impression. It would be improper for me to comment, I think. I think our esteemed Japanese banking competitors should speak for themselves in that regard. I think it would not be appropriate for me to comment on their judgment. But it comes down, Mr. Chairman, to individual institutions making their own assessments as to what is the most correct thing to do under the circumstance and some are going to decide one way, and some the other for various reasons.

That is rather the norm.

Senator CLARK. Let me jump over for a moment and ask Mr. Minikes what he thinks of this. I guess the Japanese Export-Import Bank is apparently discouraging or not assisting in loans in South Africa. Is that your understanding or do you know anything about that?

Mr. MINIKES. Mr. Chairman, I am not fully familiar with the current practices of the Export-Import Bank of Japan although we exchange information quite a bit on exposure, and so forth. Let me also point out, however, that Japan has other vehicles, principally through the Ministry of International Trade and Industry, for supporting export credit.

Senator CLARK. To South Africa?

Mr. MINIKES. I don't know whether they are active there at this point.

Senator CLARK. Just a couple of other questions.

BORDER DEVELOPMENTS EFFECT ON CREDIT STANDING

An article in the January 30 Financial Mail quotes Citibank managing director in South Africa, Gordon Phelps, I think it is, as saying, and I quote the Financial Mail as they quote him: "Credit standing of South Africa has not changed at all as a result of the developments on the border." I assume he is speaking of Mozambique, Angola, and so forth.

Does this still hold true as far as you are concerned?

Mr. VOJTA. I think basically it continues to be true. We do now know the events of recent months, and I think they are probably a new factor in that assessment. I think the trends in the country from this time forward simply have to be watched to see what happens.

But at the time that statement was made, there was none of that on the internal side.

Senator CLARK. As far as you are concerned, that statement would still stand in Citibank today?

Mr. VOJTA. Yes.

CITIBANK/LOCAL GOVERNMENT DISCUSSIONS

Senator CLARK. You mention under item 4 in your testimony, I quote from your statement: "We have the right and the obligation to discuss with local governments matters directly affecting Citibank interests, * * *"

Have you discussed either the economic situation or the social and political situation with the Government?

Mr. VOJTA. I think that in connection with various financial transactions, with government entities, as I mention, we have had the occasion to get a fairly comprehensive picture of the financial operations of the government as a whole. Of course, in a debtor-creditor relationship, with proper exchange of information in this regard, we are helped.

Senator CLARK. I guess I really mean beyond the normal financial discussions that you necessarily would have.

Mr. VOJTA. We have rather continuing communications in all countries in which we operate, including South Africa and we are, I think, very current on the views of the Government with regard to their political and social policies.

So I think you can say we understand those.

Senator CLARK. But you don't tell them what you think about it?

Mr. VOJTA. No.

Senator CLARK. Some companies do. General Motors, yesterday, testified that they met with the Prime Minister Vorster and they told him that they didn't like, even though they are doing business there, they didn't like the way this apartheid policy worked and they thought it ought to be changed. They had an outspoken discussion with the political leaders on that.

But I think your earlier testimony indicated that you don't feel that ought to be a policy.

Mr. VOJTA. Let me, if I may, comment just briefly. In my statement, I mentioned that a few months back our president, Mr. Spencer,

went together with Mr. Thomas and Mr. Jordan to visit South Africa. Mr. Jordan went both in his capacity as the senior officer of the Urban League, but also as a member of the board of the Xerox Corp.

In the course of their visit there, through the good offices of the Government and some other private entities, they conducted extensive discussions with, I think you could say the full range of opinion in South Africa, with all the principal communities, black, colored, Asian, white, private, public, business, and so on, and explicitly discussed, I think, the situation as they saw it at that time in a very comprehensive way.

As I mentioned earlier to you, in connection with the political possibilities in South Africa for the black community, I think what I was getting at there was precisely this kind of dialog because very candid exchanges of view were held as to what was going on, what the opinions of all of the interested parties there were on the current trends and what must be done, what must not be done.

This kind of, I think essentially political dialog, open communication involving the full spectrum of opinion there is a relatively extraordinary thing in historical terms.

Senator CLARK. I am not sure I understand that.

Mr. VOJTA. If you can sit down with the paramount chief of the Zulus——

Senator CLARK. But Jordan and others didn't represent Citibank in those discussions?

Mr. VOJTA. Mr. Thomas went in his capacity as a director of Citibank.

Senator CLARK. So he was representing you in those discussions?

Mr. VOJTA. Yes. Mr. Jordan, as I mentioned was representing the Xerox Corp. of which he is a member. Upon their return, these discussions were reported in full to the boards and subsequently both Mr. Jordan and Mr. Thomas made public statements.

So I just want to emphasize the very open and explicit type of communications on these kinds of subjects which are possible and which do go on.

Senator CLARK. So you are not reluctant to comment to governments or your representatives on their political——

Mr. VOJTA. I think the sense of it is to make sure they realize what public opinion is, outside of the country, and what the state of affairs is. Of course, there are many questions about that put to our president and our director by all the people that they talk to, what do you think the trends are and so on and so forth.

This can be done without rendering the value judgments of any of the kinds you are getting at.

Senator CLARK. I assure Mr. Thomas was rendering some very strong value judgments?

Mr. VOJTA. Yes, of course. I think the text of his conclusion was what I submitted to you for your consideration.

FUNGIBLE LOANS

Senator CLARK. This gets to be a difficult question. I know. How do you balance the benefits which business can provide as you describe

it, the idea that all of this money is fungible, loans that you make to the South African Government and can actually go into such things as increased defense spending or increased internal security, material, things such as that? Doesn't that bother you some?

Mr. VOJTA. Money is fungible. We all know that. But I can say that in terms of the conduct of the loan discussions that we have with the customers that we deal with, we take great care to ascertain the purpose of the financing, to understand given that purpose that there will be a capacity for repayment of that obligation that is tied to the purpose for which the financing is sought.

I think we just have to say that we are satisfied that the statements made to us by the customers are valid ones and made in good faith.

But it would be, it is impossible in any financial transaction to assure that every dollar goes to every specific pocket because money is fungible and that is in the nature of the thing.

But we do not conclude transactions for these kinds of purposes.

PRESSURE ON U.S. BANKS FOR ADDITIONAL LOANS

Senator CLARK. Does South Africa have any ability to pressure U.S. banks, specifically yours, to go along with further loans simply because it has current investments in the country? Does that put you at a disadvantage?

Mr. VOJTA. I think no more so than any other debtor might be tempted, but I think in the final analysis any institution has to make its professional assessment on risk it is prepared and willing to take and stick to it.

LOAN INTEREST CLARIFICATION

Senator CLARK. One last question of clarification, and looking at the figures that we have and that you have provided, you say in your statement that you have a loan interest of above $12 million.

Our records seem to show that Citibank is managing loans of close to $500 million. What is the difference?

Mr. VOJTA. Where did you get the $12 million?

Senator CLARK. The local portfolio, I think you said.

Mr. VOJTA. The $12 million figure is the U.S. dollar equivalent of our capital investment in our banking subsidiary. Then we can in effect, leverage that.

Senator CLARK. I really didn't state what I wanted to ask you. You said that it was, as I recall, about $11 million in published figures; but that the Euro loans were slightly more than that, which I take to mean $12 million, $15, $18, $25 million, whatever. We come to a figure of around $500 million. Are we that far off?

Mr. VOJTA. I must have missed you through the intermediate step. I said you take the $11.5 million and the permissible deposit liabilities that we can take in South Africa are roughly 16 times that amount. So in other words, we get from that liabilities to finance our loans. So the loan portfolio, the domestic assets figure published in South Africa, is on the order of $160, $170 million.

The Euro portfolio is slightly larger. So you are within range. That is the figure for the total business, not just foreign currency loans.

CITIBANK LOAN PARTICIPATION

Senator CLARK. So if I understand you now, you say that locally you could be loaning something in the area of $160 million?

Mr. VOJTA. Yes.

Senator CLARK. That Euro loans could be in excess of that?

Mr. VOJTA. Slightly.

Senator CLARK. Slightly in excess of that. Then you could additionally be making direct loans out of New York?

Mr. VOJTA. But we don't.

Senator CLARK. You don't?

Mr. VOJTA. We don't. Mr. Chairman, you must make a distinction involving the concept of the loan participations. I think what you have there is the total size of the financing that a syndicate may have been seeking, but what actually is taken as our own participation of that would typically be a small percentage of it.

Senator CLARK. So you don't participate to the tune of $500 million in loans to South Africa?

Mr. VOJTA. That is correct.

Senator CLARK. You have admitted to something in excess of $400 million or something like that?

Mr. VOJTA. Could you use other than admitted?

Senator CLARK. Yes. You have told us of your own free volition, very directly and clearly and we thank you very much. We would like to have you stay a little longer.

I do want to say to Mr. Smith, since we are not asking you very many questions, that we will give you a chance to say anything you like at the end, as well as any of the others.

Mr. VOJTA. Just in the interest of the factual record, but it is not for me to dwell on this too long, but the Chase-Manhattan Bank, as Mr. Smith has described, does not now have an investment participation in the Standard Bank in South Africa. They have divested themselves of that.

Senator CLARK. Mr. Minikes, you are going to be happy to hear we have fewer questions to ask of you; but nevertheless, we think they are important ones.

IMPORTANCE OF EXIMBANK FACILITIES TO U.S. TRADE

Just what is the importance of Eximbank facilities to our trade with South Africa? What is the level of it?

Mr. MINIKES. I can provide you with an answer on that, Mr. Chairman.

[The information referred to follows:]

SOUTH AFRICA—FINANCIAL GUARANTEES AND PRELIMINARY COMMITMENTS FOR FINANCIAL GUARANTEES: FISCAL YEAR 1971–FISCAL YEAR 1977 (THROUGH AUG. 31, 1976)

[Supplied by Export-Import Bank]

Exporter	Financial institution	Project or product	U.S. costs (thousands of dollars)	Exim involvement (thousands of dollars)	Percent of of cover	Date of financial guarantee authorization or preliminary commitment approval	Period of guarantee from date authorized
Financial guarantees:							
United Technologies, Inc.	PEFCO	6 gas turbine sets purchased by ESCOM.	24,826	16,757	67.5	Feb. 18, 1975	8 yrs (includes 1-yr grace period).
Bucyrus Erie Co. and Marion Power Shovel Co.	Morgan Guaranty and PEFCO	4 walking draglines purchased by Barlow Rand, Ltd.	29,460	26,515	90.0	Apr. 7, 1975	8½ yrs (includes 6-yr grace period).
Boeing Corp.	PEFCO	3 Boeing 747's purchased by South African Railways & Harbors.	110,000	49,500	45.0	Dec. 4, 1975	11½ yrs (includes 1½-yr grace period).
Leeds & Northrup, Inc.	PEFCO	Electric power load control equipment.	6,367	2,706	42.5	Aug. 19, 1976	7½ yrs (includes 2½-yr grace period).
Total			170,653	95,478	55.9		
Preliminary commitments outstanding:							
Bucyrus-Erie Corp.	First Wisconsin National Bank	1 dragline	15,295	6,118	40.0	July 29, 1976	7 yrs (includes 2¼-yr grace period).
Total			15,295	6,118	40.0		

FINANCIAL GUARANTEES AND PRELIMINARY COMMITMENTS FOR FINANCIAL GUARANTEES: FISCAL YEAR 1971

Exporter	Financial institution	Project or product	U.S. costs (thousands of dollars)	Exim involvement (thousands of dollars)	Percent of cover	Date of financial guarantee authorization or preliminary commitment approval	Period of guarantee from date authorized
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Boeing Corp	PEFCO	3 Boeing 747's purchased by South African Railways & Harbors.	110,000	49,500	45.0	Dec. 4, 1975	11½ yrs (includes 1¾-yr grace period).
Total			164,286	92,772	56.4		
Preliminary commitments outstanding: [1]							
General Electric [2]	Morgan Guaranty and PEFCO	2 1,000-MW nuclear power stations for ESCOM.	285,000	256,500	90.0	Nov. 25, 1974	20 yrs (includes 8-yr grace period).
TRW controls	([3])	2 electronic control systems	9,248	4,162	45.0	Feb. 5, 1976	9 yrs (includes 2-yr grace period
Allis Chalmers Corp	Unknown commercial bank and PEFCO.	4 reversible hydraulic pump turbines for ESCOM.	21,000	15,750	75.0	Apr. 1, 1976	13 yrs (includes 5-yr grace period).
Total			315,248	276,412	87.7		
Pending preliminary commitment application: [4] Fluor Corp	([3])	Coal to gas project for SASOL	500,000	([5])	([5])	([5])	([5]).

[1] Expired unutilized.
[2] Formal application to convert preliminary commitment to financial guarantee received May 18, 1976, but subsequently withdrawn.
[3] Not yet decided.
[4] Denied June 17 1976.
[5] Not yet determined.

Mr. MINIKES. I think the only comparable figures I could give you would be those in the most recent year for which I would have both figures, that is, the level of the U.S. exports to South Africa, and the level of Eximbank authorizations. For 1975, total U.S. exports to South Africa were about $1.2 billion.

Senator CLARK. What year?

Mr. MINIKES. That is 1975. We still have a bit of a problem because we are mixing figures. They are somewhat incomparable because we are mixing fiscal years and calendar years. What I have given for U.S. exports to South Africa is a calendar year figure. I can give you the fiscal year figure for Eximback. For 1975, total authorizations, under programs, for export to South Africa were about $182 million.

So if you want to mix those two, you are talking about $180 million against $1.2 billion.

Senator CLARK. But you wouldn't be prepared to assume that if Eximbank didn't make loans, that a fair portion of that $182 million wouldn't have been sold anyway, would you?

Mr. MINIKES. We would make the judgment that on exports that we supported, our support was required.

Senator CLARK. In other words, you think that if Eximbank had not made these loans to $182 million, not a single dollar of that would have been rearranged by some other method?

Mr. MINIKES. We wouldn't want to quantify it to that degree, but I would say a portion of it would not have gone. Exactly where that would come out——

EXIMBANK LOAN CUTOFF AFFECT

Senator CLARK. Suppose we were to extend to South Africa the policy we already have toward Namiba; that is, of not making guaranteed loans. You make none to Namibia, correct?

Mr. MINIKES. That is correct.

Senator CLARK. Suppose we were to do this. Would we really lose $182 million in the last year's figure? Do you think American business would lose roughly that amount?

Mr. MINIKES. I think it is a question that is impossible to answer. I would say certainly a portion of it would be. On exactly what percentage would come out, all I can say is that we do the very best we can to make sure that when we are called upon to provide guarantee or insurance support, it is indeed required.

FLUOR CORP. CREDIT ACCEPTANCE

Senator CLARK. One example that we are looking at is the Fluor Corp. example. They were able to get credit elsewhere, at least I understand they did, once the guarantee had been denied by Eximbank. I am not sure of that. Were they able to get credit elsewhere once you turned them down?

Mr. MINIKES. I am not sure either, Mr. Chairman. I know that from time to time various potential U.S. exporters have come to us again and asked whether there would be any assistance available under various programs but we have not provided it. Whether they have succeeded elsewhere, I don't know.

In the case of Fluor itself, which had the biggest piece of the U.S. part and was the manager of the project, I don't know. There would be a lot of other U.S. subcontractors and contractors involved. But we have not, to my knowledge, supplied any piece of it. I don't know where that project stands.

EXIMBANK DISCOUNT LOAN PROGRAM

Senator CLARK. I am particularly interested in knowing about the discount loans—I gother that is relatively insignificant of the various kinds of loans that you make, according to the figures that you have presented. But we have a $2 million limitation, apparently, imposed in the case of South African loans.

Mr. MINIKES. That is correct.

Senator CLARK. How much does that really restrict your activities? Is that really meaningful? What would be the difference if you had no restriction, in your judgment?

Mr. MINIKES. I am sorry, do you mean if the $2 million limitation did not exist?

Senator CLARK. Yes.

Mr. MINIKES. I think it is significant, Mr. Chairman, in the sense that we don't want the discount loan program to become a possible subterfuge for providing direct credits which would then, of course, violate——

Senator CLARK. You have no disposition on the size of those? They could be much larger?

Mr. MINIKES. They could be larger. We don't like to see them go above $4 million or $5 million.

Senator CLARK. In any case?

Mr. MINIKES. In any case. It could be larger. They sometimes do go higher than that.

Senator CLARK. So if you did not have that restriction there is a fair chance you would be making a $2, $3, $4, $5 million loan to South Africa under this, without that restriction?

Mr. MINIKES. I am sorry?

Senator CLARK. I say if you did not have a restriction, if that were not imposed—this is imposed just on South Africa, is it not?

Mr. MINIKES. That is correct.

Senator CLARK. Suppose it were not imposed, would you then be making $3, $4, $5 million loans to South Africa, possibly?

Mr. MINIKES. I think that would depend on the types of goods, and the terms that were required. Of course, in the discount program, we don't go beyond 5 years. I think it would be conceivable that we would be approached to support a transaction in excess of $2 million, but how we would handle it, I think, would depend on the situation at the time.

Senator CLARK. But you see it as a meaningful restriction on your loan to South Africa? That is what I am trying to find out.

Mr. MINIKES. I think we do because it is the only area where that limitation applies. The other thing, of course, to point out is that the discount loans do go to U.S. commercial banks, not to South Africa.

EXIMBANK GUARANTEE INSURANCE, DISCOUNT LOAN PROGRAM EXPOSURE

Senator CLARK. Has Eximbanks total exposure in terms of its guarantee insurance and discount loan programs increased in the past few years?

Mr. MINIKES. Yes; it has.

Senator CLARK. Can you tell us about how much?

Mr. MINIKES. Mr. Chairman, I have figures here from fiscal 1971 through 1976, I can give you those totals, if you would like.

Senator CLARK. What are those?

Mr. MINIKES. These are total Exim authorizations per year. For fiscal year 1971 it was $42.9 million; for fiscal year 1972, $156.5 million.

Senator CLARK. From 41?

Mr. MINIKES. From $43 million in fiscal 1971 to $156 million in fiscal 1972.

Senator CLARK. Keep it going.

Mr. MINIKES. To $130 million in fiscal 1973—it moved down there: down to $116 million in fiscal year 1974; to $181.7 million in fiscal year 1975; and to $222 million in fiscal year 1976.

Senator CLARK. $116?

Mr. MINIKES. $116 million and to 1975, $181.7 million; 1976, $222 million.

One more thing to point out in that connection is by far the greatest increase here is accounted for by our short-term insurance programs. This is a program that supports the export of U.S. goods which really go basically anywhere from cash equivalents to 180 days; in other words, these are sort of the normal flow of everyday commerce which requires as I say, from no maturities to 180 days. They are short-term items.

For example, of the $222 million figure that I have given you for fiscal 1976, $116 of that is accounted for just by that short-term insurance program.

Senator CLARK. Not knowing much about banking, I am not quite sure. It sounds to me as if you are saying that doesn't really mean so much if it is in insurance.

Mr. MINIKES. What I am saying is that the support is really minimal and this supports the everyday flow of commerce between the United States and South Africa.

Senator CLARK. But that flow would not continue, I gather from your earlier testimony, if you were to deny it? It encourages, makes possible, facilitates?

Mr. MINIKES. Yes.

Senator CLARK. What do you attribute this increase to other than what you have just said? Why has there been such an increase?

Mr. MINIKES. I think the increase is attributed to two major factors. One relates to the policy of the South African Government which was imposed a few years ago, and which, I believe, is still in existence, whereby the Government was requiring South African purchasers of foreign goods to source as much of the necessary financing as possible overseas. I don't know what the exact percentage was, but it was substantial. Therefore, South African importers who previously were

able to finance their foreign purchases in the South African market were now caused to go offshore, to finance them. I think that is one reason why our own activity increased there. The second one, obviously, is the same as the case worldwide; namely, a perception of increased risk on export sales. The program that I am talking about, by the way, our short-term insurance program, has been by far the biggest increased jump in the Exim activity both on a worldwide basis and particularly in the case of South Africa.

SOUTH AFRICAN TRADE

Senator CLARK. I asume trade has declined; that South Africa has imported less in the last year, given their economic problems; or have they not?

Mr. MINIKES. I don't have any statistics on that.

Senator CLARK. I would assume, given their budget problems.

Mr. MINIKES. Still increasing? I guess I am wrong about that.

RECENT EVENTS AFFECT EXIM POLITICAL, ECONOMIC RISK ASSESSMENTS

Senator CLARK. What has been the effect of recent events in South Africa on Export-Import Bank's assessment of the political and economic risks? I ask you, just because we have to leave this room very soon to answer as briefly as you can, what is your reaction?

What is Export-Import Bank's reaction to what is happening over there? People are being shot, arrested, dying, going on strikes. How does that affect your attitude?

Mr. MINIKES. I think it has affected our judgment on credit risk as is evidenced by the one major situation that I mentioned in the testimony submitted for the record. I think we are looking very carefully at all applications coming to the bank today.

Senator CLARK. You would expect then you wouldn't be increasing like this next year?

Mr. MINIKES. I think one important distinction to be made, Mr. Chairman, again is in the short-term insurance area because we feel that that is a unique type of situation. That is a unique portion of international trade in the sense of representing just the normal flow of commerce. Because of the short term there, involving a maximum repayment of 180 days, we are continuing to provide insurance for those types of transactions.

Senator CLARK. I can see it as an economic argument, what difference would it make whether it were short term or long term, politically speaking?

Mr. MINIKES. Again, I think the distinction is in the type of goods when you were speaking before, as I recall, you were referring to how this evidenced support for the Government. Also, these are the types of goods that go primarily to the private sector. I might point out that none of the short-term goods that we support in the short-term program go to the public sector. They are all to private purchasers in South Africa.

Senator CLARK. But you do assess political risks as well as economic?

The Export-Import Bank, as they deal with various countries, unlike let us say Citibank, you are concerned about the political situation?

Mr. MINIKES. I think it is hard to make judgments into the future. I think one judgment we are making today is that on obligations which are matured not in excess of 180 days we will not be called upon to cover with insurance. In other words, we cover them, but we will probably not be called upon to pay out under the insurance policy.

Senator CLARK. I am not sure what that means.

Mr. MINIKES. What I am saying is that on maturities which come due within 180 days, we feel that we can make a judgment that the political situation in South Africa won't interfere with the payment of those obligations.

Senator CLARK. That is what I am saying. I can understand how you could make that economic judgment. But you are also concerned about the nature of the regimes, what they do, how oppressive they are. That affects your policy, doesn't it?

Mr. MINIKES. I think that gets into the discussion we had in May, Mr. Chairman. When you get into those areas, I think those are judgments which are more appropriately made by the State Department. We worked very closely with the State Department. All of our activity in South Africa is regularly run through them, except for the short-term program. On the medium term and the financial guarantees, we would specifically run through the State Department.

Senator CLARK. In other words, if your policy on Export-Import Bank were to change because of the political nature, that decision would be made in the State Department, not the Export-Import Bank. Is that correct?

Mr. MINIKES. That is correct, and I think appropriately so.

EXIMBANK COUNTRY CEILING

Senator CLARK. Does Export-Import Bank have a country ceiling?

Mr. MINIKES. We do not as such. Obviously as we continue in the particular markets, we reassess our exposure on a periodic basis, and depending on the situation, sometimes even more often than the normal periodic reviews.

Senator CLARK. You don't have any ceiling. That means, according to your judgment, you can lend as much to South African firms; that is, as long as they are not direct loans or as long as they are in excess of $2 million in discount, there is no limit to what you can loan?

Mr. MINIKES. When I say no ceiling, I don't mean that we abdicate all judgment.

Senator CLARK. No; I am not implying that. I meant no ceiling.

Mr. MINIKES. There is no ceiling anywhere in the world. We don't place ceilings as such, but obviously as the exposure increases, we look at it more carefully.

EXIMBANK RELATIONSHIP WITH PEFCO

Senator CLARK. Could you elaborate a little bit on Export-Import Bank relationship with PEFCO. You did that to some degree in your testimony. But specifically I was interested in a memorandum of guarantee from Export-Import Bank to PEFCO. There appears to be a standard phrase to the effect that if the cost of money rate is greater than the rate quoted in the transaction, Export-Import Bank will, at its own option, provide the funds for PEFCO's participation.

Does this actually mean that Export-Import will provide funds to PEFCO for its loans?

Mr. MINIKES. This was pursuant to an agreement which was entered into when PEFCO was founded, Mr. Chairman, whereby since PEFCO offers fixed rates for the obligations which it takes on, in the March 11, 1971 agreement between Export-Import Bank and PEFCO, we agreed to protect PEFCO against any possible loss between the rate at which they committed on a loan and the rate at which they may have to borrow in order to subsequently fund that commitment.

Senator CLARK. Does this actually mean that Export-Import Bank will provide funds to PEFCO for its loans?

Mr. MINIKES. It could mean that, but we have never been called upon to do so to date.

Senator CLARK. It has never happened?

Mr. MINIKES. It has never happened.

Senator CLARK. So you don't make any direct loans to PEFCO?

Mr. MINIKES. That is correct. We have a short-term line to PEFCO, but that hasn't been called since December 1974.

Senator CLARK. They do make direct loans?

Mr. MINIKES. PEFCO does. Just like any commercial bank.

Senator CLARK. In the light of American policy that there will be no direct lending to South Africa through Export-Import Bank, is there any inconsistency in our policy of encouraging PEFCO to make direct loans?

They are not just another bank. You guarantee all of their loans. You have a lot closer relationship with PEFCO than you do in the guarantee situation, don't you?

Mr. MINIKES. It is the same situation, Mr. Chairman, as occurs frequently when an export transaction anywhere in the world, including South Africa, has to be financed. We will be asked by, let us say, by a commercial bank, or PEFCO in this instance to guarantee a portion of their own direct credit on that export.

Senator CLARK. Yes; but there is an important distinction. You authorize these loans for PEFCO. You just don't guarantee them. You don't authorize the loans for any of these others?

Mr. MINIKES. We authorize a guarantee for that portion which we cover. In the case of PEFCO, everything that it does carries our guarantee. But we are the ones who determine how much we will let them loan with our guarantee.

Senator CLARK. How much what?

Mr. MINIKES. In other words, the amount of PEPCO's loan would be subject to our approval.

Senator CLARK. But you actually authorize those loans to PEPCO?

Mr. MINIKES. We authorize the guarantee on the basis of which PEFCO would then make a direct loan.

Senator CLARK. Yes; but what I am saying is it seems to me that it is awfully close to a violation of the intent of the restriction against direct loans for South Africa. PEFCO is making direct loans, you are authorizing and insuring those loans.

Mr. MINIKES. I may not be making it clear. It is no more a violation of the U.S. Government policy than would be the case if a U.S. Bank

was lending support to an export to South Africa but was asking Export-Import Bank to put its guarantee on the loan.

Senator CLARK. So as far as you are concerned, your relationship to PEFCO is exactly the same as it is to a bank?

Mr. MINIKES. In a sense, it is.

Senator CLARK. But really is it? You don't have an absolute veto over the other banks.

Mr. MINIKES. We do insofar as our guarantee is concerned and in the case of PEFCO, it so happens that obviously PEFCO does not do anything without our guarantee.

Senator CLARK. You are involved as I recall in your testimony, in the creation of it, weren't you?

Mr. MINIKES. That is correct.

Senator CLARK. You wouldn't have that kind of a relationship now?

Mr. MINIKES. It is owned by the company.

EXIMBANK DIRECT LOANS TO PEFCO

Senator CLARK. Do you make any direct loans to PEFCO?

Mr. MINIKES. We have not. There is a short-term credit line outstanding, to PEFCO, but it hasn't been used since 1974.

Senator CLARK. What is that?

Mr. MINIKES. A short-term line of credit where we have agreed to make available to PEFCO up to $50 million. But that line has not been called upon since December 1974.

Senator CLARK. But if they wanted to, you would make direct loans to them, if they called upon the line of credit?

Mr. MINIKES. That could be. Yes.

Senator CLARK. You say you haven't. But you could very well find yourself refusing direct loans to South Africa according to a State Department decision, but providing direct loans to PEFCO. which in turn would provide direct loans to South Africa which you would guarantee?

Mr. MINIKES. You are raising an interesting question, Mr. Chairman. If that situation arose, I don't know what we would do. I would doubt that the bank would proceed. It is a question of what our legal obligation is to PEFCO and how that stands in light of U.S. Government policy.

Senator CLARK. It wouldn't necessarily follow. You would automatically approve that?

Mr. MINIKES. I would say that is correct.

PEFCO, EXIMBANK BOARD OF DIRECTORS RELATIONSHIP

Senator CLARK. What is the board of directors relationship between PEFCO and Exim?

Mr. MINIKES. There is no interlocking.

EXIMBANK LOAN TO PEFCO REPAYMENT ASSURANCES

Senator CLARK. Exim was willing to approve apparently a 7-and-a-half-year loan which PEFCO was considering in August of this year. How did PEFCO determine that there was reasonable assurance that it would be repaid given recent events?

This is the only loan I think we could find that you seem to have been prepared to make since the uprisings.

Mr. MINIKES. I am sorry, I did not hear the amount you mentioned. Did you say 6?

Senator CLARK. Seven-and-a-half year loan which would be considered in August of this year. You felt that that would be a good loan in spite of the uprisings that occurred there?

Mr. MINIKES. First, let me point out that the involvement of Exim in that case—in other words, the guarantee that we provided—was only for $2.7 million. This was a case where we had provided a preliminary commitment to any other U.S. bidder on this project. The successful U.S. bidder had not obtained a preliminary commitment from us, but since we had issued a preliminary commitment for the same project, we felt that we would proceed and offer a guarantee in that transaction when it was requested for the U.S. company which finally won the bid.

Senator CLARK. PEFCO made a $49.5 million—almost a $50 million—loan to the South African railway just last December. Its maturity is 11 years. Does that cause you any concern after these political instabilities?

Mr. MINIKES. The only thing I can say is I am glad we don't have to make that decision today. That was made last December. The situation, I think was a bit different.

Senator CLARK. So it does give you some concern?

Mr. MINIKES. I would say concern in the sense that if we were faced with that transaction today——

EXIMBANK BUSINESS DEALING

Senator CLARK. But you are going to be faced with the repayment for 11 years. How many countries do you do business with? I should know that, but I don't.

Mr. MINIKES. I have never know why we use the phrase, but is about 150-some-odd markets as opposed to countries. We do business in most countries of the world, except, where we are legally precluded such as the Soviet Union under the Trade Act.

Generally we do not where there are no U.S. diplomatic relations, and in some countries where we have made a credit judgment that we should not provide support.

PEFCO BUSINESS DEALING

Senator CLARK. You do business in almost every country except for those few as you say, the Soviet Union and some others. I was struck by your testimony that 10 percent of all of your Exim loans of certain types go to South Africa.

I guess it was PEFCO, yes, 10 percent of all PEFCO's loans go to South Africa. That strikes me as a very high percentage. I assume PEFCO doesn't do business in every country in the world?

Mr. MINIKES. I assume they would be legally able to, but in effect would be the subject to the same restrictions as we are. I think one thing to remember is the PEFCO is there to pick up risks where the commercial sector leaves off in terms of maturities.

Obviously, South Africa is such a situation. That gets back to the purpose of the Eximbank which is to back up the private sector. If

we are doing our job properly, we should be going into sectors that do represent some higher risk than the commercial market is willing or able to assume.

SOUTH AFRICA RISKS

Senator CLARK. South Africa would represent a higher risk to you than most areas.

Mr. MINIKES. I would say South Africa represents more of a risk in the area of the world.

SOUTH AFRICA RISKS COMPARED TO BLACK AFRICA

Snator CLARK. How about compared to black Africa?

Mr. MINIKES. That depends on the country.

Senator CLARK. Let us say Zambia, Tanzania, Zaire.

Mr. MINIKES. I don't really know how I would answer that offhand. We really do such a thorough job in doing the country analysis that I would hate to say off the cuff which is better. I would have to look at some of the ratios, their balance of payment, import cover. But certainly there are countries in Africa where we have greater exposure than we do in South Africa.

Senator CLARK. I must say that surprises me a little because I have always had the impression that people thought that South Africa was such a stable, rich, thriving economy, that black Africa, generally speaking, had all kinds of economic development problems and nationalization that that would seem to me based on high risk just from what I have heard and with having no expertise in it at all, that most investors in banks would consider those areas to be higher risk and if that were the case, given your formula with Eximbank loans there, it would seem to reflect that. Maybe they do.

Mr. MINIKES. As I said, there are a couple of markets where we have very heavy exposure, and in black Africa where we have heavier exposure than we do in South Africa.

Senator CLARK. Nigeria?

Mr. MINIKES. No, Zaire.

Senator CLARK. Zaire?

Mr. MINIKES. Zaire. In Nigeria, too, but not heavier.

Senator CLARK. That does fit your theory because that is very high risk, very high risk indeed.

EXIMBANK FUNDS IN PEFCO

Does Exim have any funds in PEFCO or is it entirely privately financed? I guess you have really already answered that. You do not have any funds. You have a line of credit.

Mr. MINIKES. But the line is really peripheral. PEFCO is funding itslf today.

DIRECT LOANS TO SOUTH AFRICA RESTRICTION

Senator CLARK. Let me ask you what, in my view, is the most important question in my mind. I have wondered for a long while whether this restriction on direct loans to South Africa, which has been in effect now, according to your testimony, since 1964, really has any meaning.

You make direct loans anyway. It is really very restrictive? Here is this political decision that we are not going to make direct loans to South Africa by Eximbank. So what? Does it mean anything?

Mr. MINIKES. There is no question in my mind, Mr. Chairman, that over the years since 1964 if that restriction had not been there, the Bank's exposure in South Africa would be substantially higher than it is today.

Senator CLARK. This seems to me to be a very important point. Can you speak more specifically about what evidence there is of that, what you would guess the volumes might be? Obviously, you can't speak with any specificity.

Mr. MINIKES. That is hard to say. You would have to relate it to trade flows, to U.S. exports there. I think it is very difficult to say other than looking at where we support U.S. exports worldwide, obviously South Africa has been a very significant market and one where the Bank would have been called upon a great deal more over the years than it has been to date and I think one of the principal factors is the limitation.

WORLD DIRECT LOAN EXPOSURE PERCENTAGE TOTAL

Senator CLARK. In that respect, one way I suppose one could make that judgement, is what percentage of your total exposure is there in direct loans in the world, in your total operation? Do you do a lot of direct loaning by comparison to the guarantee?

Mr. MINIKES. Worldwide, I don't have it in terms of direct loan. I can give you our overall exposure worldwide today.

Senator CLARK. Yes. What is that?

Mr. MINIKES. It is about $28 billion.

Senator CLARK. This all outstanding loans?

Mr. MINIKES. It is our outstanding exposure at June 30 this year in direct loans, guarantees, insurance, and discount loans.

Senator CLARK. That would be a good figure if we had the direct loan.

Mr. MINIKES. I don't have the direct loan exposure.

Senator CLARK. What is your guess? Maybe one of your associates can provide us with that.

Mr. MINIKES. I can supply it for the record.

Senator CLARK. Let us do that.

[The information referred to follows:]

EXIMBANK DIRECT LOAN EXPOSURE

[Supplied by Export-Import Bank of the United States]

At June 30, 1976, Eximbank's direct loan exposure was $15 billion.

Senator CLARK. It is so crucial to this discussion. Half?

Mr. MINIKES. I think it might be interesting to you to put it in perspective. Let me put it this way. Our total exposure worldwide as of this past June was $28 billion; our corresponding exposure in South Africa was $260 million which is 1 percent of that.

Senator CLARK. That is interesting to have. It didn't have anything to do with whatI am asking.

In trying to figure out how meaningful this political restriction is of direct loans, one would have to try to imagine what direct loans you wouldn't have made, or you would have made, had that restriction not been on.

U.S. BUSINESS 1975 TOTAL LOSS ESTIMATE

Isn't it true that a National Security Council report of last year estimated that the total loss to American business was only $50 million? lion?

Mr. MINIKES. I don't recall that.

Senator CLARK. You have never heard of that National Security Council report?

Mr. MINIKES. I have heard of that report. But I don't have any recollection of that number at all.

Senator CLARK. Based on your own knowledge, experience, and familiarity with this subject, does that sound like a ball park figure to you?

Mr. MINIKES. I really couldn't speak on trade flows, Mr. Chairman. I really don't have any idea.

Senator CLARK. I don't see how you can say it would be a meaningful restriction if there is no——

Mr. MINIKES. The way I say it is meaningful is in this sense: When you look at a total worldwide exposure of $26 billion and you look at a market the size of South Africa, you see that our involvement there is 1 percent of our total exposure. That clearly indicates to me that the policy since 1964 has a very significant effect.

EXIMBANK DIRECT LOAN EXPOSURE

Senator CLARK. In other words, a very high percentage of your total exposure is direct loans. It seems to me, otherwise, I don't know how you could come to that conclusion.

Mr. MINIKES. That is right.

Senator CLARK. It is?

Mr. MINIKES. Yes.

Senator CLARK. Would you say half of all the money you deal with?

Mr. MINIKES. I think our total loan commitments, both disbursed and undisbursed would be somewhere in the neighborhood of perhaps $15 billion of that $28 billion.

Senator CLARK. So it would be very substantial.

Mr. MINIKES. It will have to be corrected for the record.

Senator CLARK. We will get it for the record. We appreciate that. More than half of all loans you would judge without looking at the figures are direct loans. Is that what you are saying?

Mr. MINIKES. Today, 60 percent of our dollar volume of support annually is in the guarantee and insurance area; 40 percent is in the direct loan area.

Senator CLARK. That is what we are looking for, isn't it? I think that tells us.

So about 40 percent of your losses are apparently, at least in the general sense, direct loans and to that extent, you are restricted by

this political decision. So that one might assume that you would have substantially more loans without that restriction?

Mr. MINIKES. That is correct.

Senator CLARK. Thank you very much.

I am going to give each of you a couple of minutes if you want to add anything at all to what you have said. It has been a long time since we have heard from Mr. Smith. Do you have anything that you want to add at the end here?

FINANCIAL MAIL ARTICLE CONFIRMATION

Mr. SMITH. I will be brief, Mr. Chairman. In the file that I gave you today was not only the testimony, but several appendixes. Part of that was a "Financial Mail" article, interview with Stephen DuBrul, who is the Chairman of the U.S. Export-Import Bank. One of the articles is called "Cash and Carry On." Mr. DuBrul says "while we don't have the same penetration in South Africa as elsewhere, I am confident it will change."

It is a short comment. It might be interesting to find out what he really meant by that. Is he arguing for a change in that policy, and escalation of it?

CHURCH SHAREHOLDINGS IN U.S. BANKS

That would be one point. For the record, Senator Biden did ask about the church shareholdings in many U.S. banks. That is very difficult to do without a total stock checklist in front of me. But just from the file that I had with me, I was able to find out that a calculation of 10 church shareholders (without many of the pension funds) had approximately 150,000 shares in Citibank which is worth roughly $4.9 million. I will check the exact market value. Five shareholders had 125,000 shares in Manufacturers Hanover Trust. That was approximately over $4½ million.

In Morgn Guaranty, four shareholders had 44,000 shares, something in the neighborhood of $2.4 million. This is a very brief report.

I think what it does indicate is that churches are serious shareholders in U.S. banks and will be raising these questions as serious shareholders.

CITIBANK CLAIM OF POLITICAL NEUTRALITY

Another point I wanted to refer to the continued claim by Citibank that it is trying to be politically neutral. You asked me whether corporations had been trying to influence policy or influence public opinion. I think you are familiar with the fact that Union Carbide, was a vigorous lobbyist for the Byrd amendment. That was one example where I think very clearly the company interest lined up with the continued flow of chrome to this country while the black majority's interests, from every black voice we have heard in Rhodesia, was exactly the opposite because they had called for a boycott.

But I think Citibank should be willing and would be pleased to put in the record a copy of its 1973 paper called "City Views, Citibank in South Africa."

[The following information was subsequently supplied:]

It was suggested that we supply for the hearing record a copy of our 1973 paper entitled "City Views: Citibank in South Africa." That paper, which is attached, is now somewhat out of date in part. It was prepared in connection with a stockholder resolution on South Africa and in response to stockholder requests for information about Citibank's role in South Africa. It has not been given wide distribution, and it is incorrect to say that we have attempted with this paper to influence public opinion in general on South Africa.

[The information referred to is in the committee files.]

I think they have every right to present such a paper. But I do want to say that I think it is a skillful position paper which tries to tell the public that most people in South Africa oppose any withdrawal of U.S. investment from that country and goes on to argue the case, in fact, that things are expanding.

Senator CLARK. What do you mean by things are expanding?

Mr. SMITH. Excuse me, that things are improving as the economy expands. The fact that things are getting better, is partly due, they would argue, to U.S. banks and investment.

I think that is a very important position paper. I think it is an overtly political position paper. I would be pleased to provide for the record extensive quotes and positions by other black leaders in South Africa, which call for U.S. investment and foreign investment to withdraw from that land and call for those companies to stop supporting the status quo.

I think there is an ongoing debate on this. Citibank does not even acknowledge that in its position paper. This is part of the way in which U.S. companies are trying to create public opinion on events in South Africa.

Finally, Citibank talks in its paper about its neutrality, as I mentioned. It says our ability to influence the social and political setting in South Africa or any other country is limited.

The rule they say is hands off. I think the rule, really, Mr. Chairman, is hands on. The hands on of $300 million worth of loans is extensive. We really see the bank making a decision not to try to change the status quo. That would be meddling. But doing business with the status quo and enforcing it is not meddling.

But again, from the position of a black South African who sees the oppressor as continuing a philosophy of white supremacy, aid to that oppressor is not a neutral act. It is not an apolitical act. It clearly has political implications.

Senator CLARK. I don't want this to become a preview of tonight's debate. But I do want to give Mr. Vojta a chance to say anything he might want to in closing.

Mr. Vojta?

HEARING ASSESSMENT

Mr. VOJTA. Thank you, Mr. Chairman. I just want to thank you for the fairness and comprehensive nature of your questions and the opportunity to submit our views and responses to the committee.

I believe that issues that have been dealt with today are quite clear. It comes down really to, I would hope in the committee's view, a very objective and empirical understanding of what the situation and the conditions are in South Africa.

We have never said and have not today, that opinions for or against do not exist or that most points of view are not proper. But I think I can assure you that in terms of our own specific situation in the country, our employment practices which have been detailed in our larger statement, but which have not been discussed here, in terms of the feedback from significant players in the situation in the country, as relayed by our field organization and systematic and periodic visits by our senior management and members of our board of directors, all of this suggests that we are on reasonably solid ground in saying to you that as the process of economic growth continues there, that it is in a very pragmatic sense the trend that is opening up options of all kinds to all segments of the population in South Africa.

I would hope that in the total assessment of the data that is being submitted to the committee, that the appropriate weight be given to those facts.

Senator CLARK. They certainly will be put in the record as if presented here and will be available on the same basis to every member of the committee and the public.

One question, Mr. Vojta. Obviously we are interested in getting as much specific information as we can. Is it possible within the constraints of what we have talked about for you to provide any greater breakdown then we have so far provided for the something in excess of $300 million in loans?

Mr. VOJTA. If you would permit me, we would give that consideration and perhaps we could respond.

[The information referred to follows:]

BREAKDOWN OF CITIBANK LOANS TO SOUTH AFRICA

[Supplied by Mr. Vojta]

You asked me if we could furnish a further breakdown of our loans to South Africa. One fourth of our loans are to the iron and steel sector. Other sectors to which we have substantial loans include office equipment and electronics, automotive, metals and mining, food and beverage, petroleum, and diversified industrial and infrastructure projects.

EXIMBANK LOAN REPLACEMENT BY PEFCO

Senator CLARK. To what extent have PEFCO loans simply replaced the direct loans which Ex-Im might have made if there were no such restrictions? Do you think they made up any of what you would have otherwise done in direct loans in your judgment?

Mr. VOJTA. I would say generally not, Mr. Chairman. I think we see no evidence that PEFCO in any way is being used or would be used as a subterfuge around that policy.

Senator CLARK. I didn't necessarily mean that. I meant in the normal course of events. You are not there to make the direct loan, maybe PEFCO would not in the natural course of things have picked up some of the same loans, not by subterfuge.

Mr. VOJTA. PEFCO is there to provide financing that the commercial banks can't get rather than to provide the financing where Ex-Im cannot.

Senator CLARK. You say they are not there for that purpose?

Mr. VOJTA. That is right.

Senator CLARK. Anything you would like to add?

Mr. VOJTA. Just to again thank you for the opportunity to testify; Mr. Chairman, and thank you for your courtesy.

COMMENDATION OF WITNESSES

Senator CLARK. You have all been very tolerant in putting up with all of these votes. We didn't have much choice. We've kept you here until after 2 o'clock in the afternoon. Undoubtedly some of you have missed your airplanes. We are very pleased you would stay. It is an invaluable aid to us.

We thank you very much for it.

[Where, at 2:20 p.m. the subcommittee adjourned, subject to the call of the chair.]

[Additional information pertinent to the hearing record follows:]

THE LIBRARY OF CONGRESS,
CONGRESSIONAL RESEARCH SERVICE,
Washington, D.C., September 22, 1976.

To: Senator Dick Clark.
Attention: Terry Meyers.
From: Bill Raiford, Analyst in Foreign Affairs.
Via: Acting Chief, Foreign Affairs and National Defense Division.
Subject: South African Bond Issues and U.S. Loans to South Africa, 1974–76.

The charts that follow are an indication of U.S. lending policy to South Africa in the last 2 years. Because many banking transactions are confidential and reporting requirements of banks vary these data should not be assumed to be either complete or comprehensive. The following quotation from the "International Insider" of November 24, 1975, is instructive:

"In conditions of strict secrecy South Africa is raising substantial amounts of short-term (up to 3 years) money, according to informed banking sources. Most of these deals are being provided on a single bank basis. As a result, a growing number of international banks are reaching their lending limits to the country and are turning down invitations to participate in syndicated loans claim the sources."

The information in the charts come from the following sources:

1. "International Insider: News and Views on the International Money and Capital Markets". William F. Low, Keizersgracht 99 Amsterdam-1002, P.O. Box 10552, The Netherlands. (Weekly issues of 1975 through August 1976).
2. "Eurostudy 1975, 3rd edition". William F. Low, editor. (Offices now at same address as above entry).
3. "Publicly Issued Foreign and International Bonds, by Country of Issuer, 1975." International Bank for Reconstruction and Development, International Finance Division, Economic Analysis and Projecting Department, April, 1976.
4. "Privately Placed Foreign and International Bonds by Country of Issuer, 1975." International Bank for Reconstruction and Development. International Finance Division, Economic Analysis and Projecting Department, April, 1976.
5. "Borrowing in International Capital Markets: Foreign and International Bond Issues and Publicized Eurocurrency Credits." (1st Quarter 1975 Through 2nd Quarter 1976). World Bank Document EC–181–751.
6. "Emprunts Internationaux Au Cours du Premiere Trimestre, 1975." (And for Duximeme, Troiseme, Quatrimeme Trimestres 1975 and Premeire and Duxieme Trimestres 1976). Federation Bancaire de la Communaute Economique Europeene: Secretariat MC.

CHART I.—MEDIUM TERM FINANCING FOR SOUTH AFRICA, 1975 THROUGH JULY 1976

Year	For—	Amount (millions)	Interest rate (LIBOR and spread) [1]	Maturity	Managers
1975	Triomf Fertiliser Property	$30	LIBOR, 2	5	2 European banks listed.
1975	Johanisberg Consolidated Investment.	37	LIBOR, 1½	5	Citicorp International Bank, Ltd.
1975	Republic of South Africa	100	LIBOR, 1½	3	Manufacturers Hanover, Ltd.
1975	South African Metal Co. (Deutsche Mark).	35	LIBOR, 1⅜	5	A major German Bank.
1975	ISCOR [2]	100	LIBOR, 1¾	5	2 European banks and 1 Canadian bank listed.
1975	ISCOR	25	LIBOR, 1½	3	2 European banks listed.
1975	AE&CI (controlled by Debeers and ICI).	60	Negotiating		1 European bank listed as "likely"
1976	South African Railways	50	Seeking 1½ for 10 years.		1 European bank listed.
1976	ESCOM [3]	200	LIBOR, 1⅜	5	Chase Manhattan Ltd.; Citicorp International Bank, Ltd., Manufacturers Hanover, Ltd., Morgan Guaranty Trust.
1976	Republic of South Africa	25			1 European bank listed.
1976	South African Railways	75	LIBOR, 1¾	5	Morgan Guaranty Trust (5 other European banks listed).
1976	Richards Bay titanium project.	150	LIBOR, 2-2½	6½	Citicorp International Bank is manager for small group of banks.
1976	ISCOR	80	LIBOR, 1¾	5	Chase Manhattan, Ltd.; Citicorp International. (ORION Bank, Ltd. associated with Chase Manhattan Bank); 3 other European banks listed.
1976	South African Breweries	30	Seeking 1¾ for 3 years.		2 European banks listed.

[1] LIBOR (London Interbank offer rate) LIBOR is the rate paid by prime banks for funds in the London Interbank market. Spread is the difference between LIBOR and the amount the borrower actually pays.
[2] ISCOR—South African Iron and Steel Industrial Corp.
[3] ESCOM—Electricity Supply Commission of South Africa.

Sources: International Insider: News and Views in the International Money and Capital Markets: William F. Low, editor, Keizersgracht 99 Amsterdam-1002, P.O. Box 10552, The Netherlands. Borrowing in International Capital Markets: Foreign and International Bond Issues and Publicized Eurocurrency Credits (1st quarter 1975 through 2d quarter 1976) World Bank Document EC-181-751.

CHART II.—PUBLICLY ISSUED FOREIGN AND INTERNATIONAL BONDS (SOUTH AFRICA), 1974 THROUGH AUGUST 1976

Year	Issuer	Amount (millions)	Interest rate (percent)	Maturity	Managers
1974	ESCOM	$35	NA	8	Kidder Peabody International, Ltd.
1974	ESCOM	15	9¼	15	Do.
1975	ESCOM [1]	25	10	5	Kidder Peabody International, Ltd. (Lead manager—Kredeitbank Luxembourgeoisie S.A.).
1975	South African Railways and Harbors (Deutsche mark).	70	9¼	5	8 European banks listed.
1975	ESCOM (Deutsche mark)	100	9¼	5	5 European banks listed.
1975	ISCOR [2]	25	10	5	2 European banks co-leadmanagers; Kredeitbank Luxembourgeoisie S.A. Credit Commercial de France.
1975	ESCOM	30	10¼	8	Kidder Peabody International, Ltd—Lead manager; Citicorp International Bank Manufacturers Hanover Ltd. (8 other European banks).
1975	ISCOR	30	9¼	5	Lead manager—Westduetsche Landesbank; no others listed.
1976	Republic of South Africa	25	9¾	5	Kidder Peabody International, Ltd.—Lead manager (5 other European banks listed).

[1] ESCOM (Electricity Supply Commission of South Africa).
[2] ISCOR (South African Iron and Steel Industrial Corp.).

Note: Information in this chart compiled from: International Insider: News and Views on the International Money and Capital Markets, William F. Low, editor. Keizersgracht 99 Amsterdam-1002, P.O. Box 10525, The Netherlands (weekly issues of 1975 through August 1976. Eurostudy 1975, 3d edition, William F. Low, editor (headquarters now same address as above). Publicly Issued Foreign and International Bonds, by Country of Issuer, 1975, International Bank for Reconstruction and Development, International Finance Division, Economic Analysis and Projecting Department, April 1976. Emprunts Internationaux Au Cours du premier trimestre, 1975 (and for duxieme, troiseme, quartieme trimestres, 1975 and premier and duxieme trimestres 1976) Federation Bancaire de la Communaute Economique Europeene: Secretariet MC.

CHART III.—PRIVATELY PLACED FOREIGN AND INTERNATIONAL BONDS (SOUTH AFRICA), 1975 THROUGH JULY 1976

Year	Issuer	Amount [1] (millions)	Interest rate	Maturity	Managers
1975	ISCOR	[2] 50; [3] 20	8¾	4	
1975	South African Industrial Development Corp.	[2] 30; [3] 12	8⅝	5	
1975	ESCOM	[2] 50; [3] 18.4	9	5	
1975	ESCOM	[2] 50; [3] 18.2	8½	3	
1975	ESCOM	[2] 50; [3] 19.1	8½	3	
1975	ESCOM	$30	[4] 8½	15	
1975	ISCOR	$50	[4] 8½	15	
1975	South African Railways and Harbors	[5] 30; [3] 12.7	9¼	5	
1975	South African Railways	[5] 70; [3] 29.7	9	5	
1976	ESCOM	[2] 50; [3] 19.5			

[1] Amount is in currency of issue.
[2] Swiss francs.
[3] U.S. dollars.
[4] Minimum; see chart I.
[5] Deutsche-marks.

Sources: Privately placed foreign and international bonds by country of issuer, 1975. International Bank for Reconstruction and Development, international finance division, economic analysis and projections department, April 1976. Borrowing in International Markets: Foreign and International Bond Issues and Publicized Eurocurrency Credits (1st quarter 1975 through 2d quarter 1976), World Bank Document EC–181–751.

CHART IIIA.[1]—PRIVATELY PLACED FOREIGN AND INTERNATIONAL BONDS (SOUTH AFRICA), 1975 THROUGH AUGUST 1965

Year	Issuer	Amount (millions)	Interest rate	Maturity	Managers
1975	South African Railways and Harbors.	[2] 30	9¼	5	1 European bank listed.
1975	ISCOR	$50–55	An "offering"	4	European banks listed as lead managers, comanagers; Citicorp International Bank, Manufacturers Hanover Ltd.
1975	ISCOR	40	LIBOR, 1⅝ [3]	15	3 European banks listed as managers.
1975	ESCOM	30	6-month LIBOR rate, 1⅝. [3]	NA	Manufacturers Hanover, Ltd. (1 European bank also listed).
1975	ISCOR	25	LIBOR, 1¾ [3]	5	1 European bank listed as manager.
1975	South African Railways.	30	LIBOR, 1½ [3]	5	European-American Banking Corp. (headquarters in New York City. Owned by 6 European banks) (1 European bank listed).
1975	ISCOR	21	LIBOR 1½ [3]	3	2 European banks listed.
1976 [4]					

[1] Same category as chart II but different source.
[2] Deutsche marks.
[3] See chart I.
[4] 1976—No references to privately placed foreign and international bonds was noted in this source for January—August 1976.

Source: International Insider: News and Views in the International Money and Capital Markets, William F. Low, editor, Keizersgracht 99 Amsterdam–1002, P.O. Box 10522, The Netherlands.

SOUTH AFRICA

U.S. Policy and the Role of U.S. Corporations

WEDNESDAY, SEPTEMBER 29, 1976

UNITED STATES SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS OF THE
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met at 9:38 a.m., pursuant to notice, in room 4221, Dirksen Senate Office Building, Hon. Dick Clark (chairman of the subcommittee) presiding.

Present: Senator Clark.

Senator CLARK. The hearing will come to order.

OPENING STATEMENT

Mr. William Durka of General Electric is here. Please come on up to the table. I might say that tomorrow will be the last day of hearings of this series on investments in South Africa and American policy towards South Africa.

We will be hearing tomorrow from Assistant Secretary of State William Rogers, principally on the questions that we have addressed ourselves to on South Africa. We have asked him to prepare information on the so-called Kissinger-Vorster-Smith frontline present negotiations on Rhodesia and Southwest Africa.

Since the Congress is planning to go out at the end of this week, and since no committee of the Congress has had an opportunity to discuss with the Administration the Rhodesian settlement questions, we are going to take that opportunity tomorrow morning.

Today's session concludes the portion of our hearings aimed at reviewing various aspects of U.S. business involvement in South Africa. The intent of the hearings on U.S. business activities has been to explore the impact of South Africa's apartheid policies on the activities of American companies doing business there and to examine the relationship between the conduct of U.S. companies in South Africa and U.S. national policy objectives in South Africa.

It has been apparent from some of the testimony presented before the committee that there may well be instances where the activities of U.S. companies in South Africa are not in line with stated U.S. foreign policy there. Needless to say, this committee doesn't set business policy. We are looking at the foreign policy aspects.

This was pointed out most clearly in testimony by Mobil Oil concerning the alleged sale of petroleum to Rhodesia by its South African

subsidiary. Mobil testified that despite U.S. policy and, in fact, despite the stated policy of the American company itself, it was possible that its subsidiary could have sold oil to Rhodesia. There would be nothing the company could do to prevent such sales if it learned of them. Moreover, there was nothing, the company stated, that it could do to even obtain the information that would show whether the subsidiary was making or had made such sales, according to their testimony.

We have also learned that to act responsibly in South Africa may have some real economic costs. At least one company—Union Carbide—has had to abandon certain operations in South Africa because it was not possible for the company to pay what it considered decent wages and still remain competitive. That is what Union Carbide told us a few days ago.

Several companies, on the other hand, have reported that they have been able to make real progress toward greater equality of employment opportunity for their workers in South Africa.

Some can point to increases in the number of blacks employed, the number of blacks being trained and promoted and the number participating in their fringe benefit programs.

They report a relaxation in the laws and, to some extent, in the customs that have prevented equality in the past, and they are optimistic that business can play a role in improving opportunity in the future.

But despite relaxation in apartheid laws, policies, and customs, and while companies have been able to make gains in their practices, it has become apparent to the subcommittee that these gains have been limited.

General Motors, for example, reported here last week that in the past 4 years it had been able to move only 7 Africans into its top 3 grades while promoting 154 whites into these positions, bringing the total number of whites in the top 3 grades to 692 compared to 7. There has been little progress made in the numbers of blacks moving into white collar positions. And we don't believe their record is worse than anyone else's.

Of approximately 1,300 salaried positions at General Motors, the company reported that three were filled by Africans. The subcommittee is concerned by these figures.

It is even more concerned because the past 5 years have been, on the whole, years of economic growth in South Africa and expanding economies.

The advances that have been made have come largely as the result of this growth which has encouraged companies to move more blacks into their work force. There has been a shortage of labor.

Today, South Africa finds its economy in a recession that may well continue for some time. Further advances for blacks will not depend so much on economic incentives as on pressures from American home offices and their board rooms.

Real progress at American companies in South Africa can only come if companies institute rationalized personnel systems with specific programs in recruiting, selection, evaluation, training and promotion, designed to upgrade opportunities for all workers, black and white together.

LETTERS TO COMPANIES WITH SUBSIDIARY OPERATIONS

The subcommittee is this next week sending letters to more than 300 companies with subsidiary operations in South Africa. From the responses to these letters, we hope to learn just how likely it is that home offices will provide an incentive for subsidaries to improve their labor practices.

U.S. BANK INVOLVEMENT HEARING

In last week's hearing, we examined briefly the degree of U.S. involvement—credit—in South Africa. It appears that claims by U.S. banks and their overseas branches, now close to $2 billion, are large and probably growing. Citibank testified that it was discussing possible participation in a major loan to South Africa amounting to hundreds of millions of dollars.

At the same time, we were impressed by the process by which loans are approved and the extreme privacy which cloaks most bank transactions. Little is available publicly on bank ceilings on loans to individual countries. Those records are kept private.

Members of the public or even shareholders do not have access to the decisions governing loans and there is little opportunity for those outside the bank to judge either the wisdom or specific loans or the criteria by which these loans are made.

Assessment of risk, or of the social responsibility of loans, which we are concerned about here, is left to the discretion of the bank officials. Shareholders may not know.

There are few means available to assess whether the level of lending by U.S. banks reinforces or detracts from U.S. policy objectives.

In today's session we are addressing another and perhaps the most critical question relating to U.S. business involvement in South Africa—the degree to which it may contribute to the system of apartheid.

There is considerable concern among church groups, public interest organizations and, indeed, some Members of Congress that U.S. investment and the modern technology it makes available contribute to the oppressive system of aphartheid in South Africa and in so doing offsets any gains made through improving employment practices and working conditions.

LABOR PRACTICES, WORKING CONDITIONS

In looking at labor practices and working conditions, which we spent much of our time doing and we are going to spend much of our time at the beginning of this hearing focusing on changes within a microcosm.

Progress in this sphere, while important, only affects a limited number of workers and their families. In fact, I haven't checked all the details of these figures out, but it is my recollection that the total number of workers in South Africa in the work force who are working for American companies is about 90,000. That is out of a work force of 7 million.

If my mathematics are right, that is about one and a half percent of the work force that is directly affected by American investments in South Africa. That is a microcosm. The other 98½ percent of the

people in South Africa are not directly affected by American investments. So it is a very small amount.

What I am saying is that we have been looking at this microcosm when we look at American investments, which is very important from our own point of view. It may have little impact on the macrosystem of apartheid and separate development of the races.

In other words, to what degree does our transfer of modern technology affect that system which itself affects all South Africans?

There are those who argue that it is a serious mistake to focus on the microcosm without examining the wider implications of U.S. investment in South Africa. One area, they point out, that requires special examination relates to the transfer of technology to South Africa.

They argue that the United States needs to ask whether specific items of technology are likely to be misused in South Africa or lend particular support to the apartheid system in force there.

They are concerned that certain equipment sold may contribute to the defense system and thus, violate the intent, if not the law of the U.S. arms embargo.

They say that new technology may serve to make the Government's system of apartheid more efficient or may help to bolster the economy in a time of stress. It may be capital intensive, taking jobs from blacks.

Or it may help South Africa become self-sufficient and thus less susceptible to foreign pressure to change its oppressive racial policies. These concerns need to be weighed against testimony that U.S. investment provides benefits to all races in South Africa.

NEW INVESTMENT

A second area of inquiry today will relate to new investment. There is considerable controversy, in light of recent events, over what appears to be escalating U.S. investment in South Africa. The current book value of U.S. investment there is approximately $1.6 billion.

Significant new investment, contemplated or already underway, could increase the size of U.S. investment in South Africa by about a third, the best we can calculate, 30 percent.

Caltex is planning a $134 million expansion of its refinery outside Cape Town. That has already been announced.

Union Carbide has already invested $50 million in a new smelting plant. Phelps Dodge has been considering investing in a copper mine development project estimated at $100 million.

Quebec Iron and Titanium, a subidiary of Kennecott and Gulf and Western, has begun work on a $300 million titanium development project in which it owns 40 percent interest.

This rapid increase in U.S. investment worries some observers who are concerned that new investment at this time signals support for the system in South Africa. It is useful in light of these concerns to review some of the American investment planned or under way in South Africa. We will be doing that today.

WITNESSES

We are fortunate in having with us today witnesses knowledgeable about both the question of technology transfer and that of new investment. I would particularly like to welcome Mr. Gilbert E. Jones, vice chairman of IBM—International Business Machines—and Mr. Pierce McCreary, president of Quebec Iron and Titanium.

I would also like to welcome Mr. Paul Neuhauser, professor of law at the University of Iowa, and Ms. Jennifer Davis research director, Africa Fund associated with the American Committee on Africa.

I should add, however, that before going into the questions of technology and new investments, the thrust of these hearings today, we would like to return briefly at the outset to the question of company activities and labor practices in South Africa.

Two companies invited to attend at earlier sessions were unable to do so, and we are happy that they are able to appear here today.

I want to begin by welcoming Mr. John McGoff, president of Panax Corporation, and Mr. William Durka, manager and counsel for General Electric.

We will begin today's session with their testimony and then we will have questions for them. Then we will go on to the other matters which I have discussed.

I want to emphasize particularly to all of the witnesses today that, because we have so many witnesses—where we normally try to have two or three, today—we have six—we will strictly abide by the 10-minute rule. When the green light is on you have 9 minutes and the orange is a caution for 1 minute. When the red light comes on, if you will please finish your sentence or thought so that we will have time for questions. This is a rule under which we have operated throughout the hearings. We will be pretty strict today and strict on short answers because we have a great amount of territory to cover.

Several other members of the committee have asked that we have witnesses appear here today, so we do have more witnesses than time and will operate as rapidly as we can.

Mr. McGoff, proceed any way you think appropriate for 10 minutes. Let me say, if you have a longer statement or other documents, they will be put in the record as if given.

STATEMENT OF JOHN P. McGOFF, PRESIDENT, PANAX CORP., EAST LANSING, MICH.

Mr. McGoff. Thank you, Mr. Chairman. My name is John McGoff, publisher of some 60 newspapers here in the United States and operator of numerous contract printing plants throughout the United States and in South Africa.

I appreciate the opportunity you have afforded me to testify on a matter on which I have had some personal experience.

As I understand it, this subcommittee is considering what policy should be followed regarding American private investments in the Republic of South Africa.

Depending on their own experience, I have found that people with the best motives generally find themselves divided into one of three camps when this subject is discussed.

First, there are those who feel American investments and business enterprises should be withdrawn completely from South Africa and the Republic placed under a strict economic embargo until Prime Minister John Vorster's government changes the racial policies there.

Second, there are people in a middle position who would not disturb existing American investments but who favor stopping any further capital investment as a sign to the world that the United States strongly disapproves of apartheid.

Third, there is a group, to which I associate myself, which feels a policy based on either of the first two approaches would be a tragic mistake on diplomatic and especially on humanitarian grounds.

At the outset, I want to make it very clear that I am speaking as an American businessman with holdings in South Africa. I am not here to defend, even by implication, the racial policies of the South African Government—policies which I feel constitute a tragic mistake for all the races of South Africa and serve as a block to that country's fuller development.

All of us, when we think of a foreign land with which we have had no firsthand experience, tend to think of it in an anachronistic way. To many foreigners the American West, for example, still resembles the setting of a John Wayne movie, although the cowboy and Indian West has not existed for almost 100 years.

Similarly, there are many Americans who think of Africa in terms of Stanley and Livingston, great white hunters and tribal groups scattered through vast jungles and deserts.

Every year that picture becomes more out of date. Africa fast is becoming urbanized. Tribal village life is giving way to traffic jams. Young black Africans like young people everywhere need jobs. They need the mental and the manual skills required to get along in this last quarter of the 20th century.

Rather than choke off American investments to South Africa, I think a wiser policy would be to encourage the use of more American capital and production techniques to that country. I believe the same policy also should be followed regarding the new black African nations.

There is a distinction to be made here, of course, between quick-buck artists who strip a new country of some easy-to-obtain natural resource and then pull out when they have made their profit, and American firms who are willing to put something back in that host country in terms of its human resources and ecology.

I feel, for example, that the enterprises I have in South Africa are an asset, not a liability, to that country.

I make no apology for them at all.

I am proud to be able to participate in the training and in the education of black people in South Africa and we are only there with the full approval of the South African Government.

A positive plan and a program that is little publicized and seldom recognized by people abroad who make careers of criticizing all aspects of the South African Government.

BANTU INVESTMENT CORPORATION PROGRAM

Under the program, administered by the Bantu Investment Corporation—BIC—which, incidentally, is a government agency, our

company is required to hire a majority of blacks and to train and educate them in all phases of our business—running printing presses—both letterpress and offset presses, as well as sheet-fed presses, computers, binders, linotypes, and so on.

To train them in management and to train them in sales with the intent under the agreement of turning the plant and all of its assets over to the Bantu within 17 years. We are providing them steady employment as well as good working conditions.

This, in my judgment, is truly free enterprise working at its best—seeking to be profitable and at the same time training those who only a few years ago were still living the past of 2,000 years ago.

XANAP WAGES AND SALARIES FOR BLACKS

At Xanap, our South African subsidiary, wages and salaries for blacks range from $25 to $105 per week. It may not sound like much for us, but to the black African it is nearly 10 times better than the average paid to Africans in other parts of the continent. Approximately half of the blacks employed by us are paid equal or better wages than required for whites in the union printing shops in South Africa. In industry as a whole over the last 5 years wages per head of the black workers, after allowing for inflation, have increased by almost 40 percent. And, wages have risen over the last 5 years, after allowing for changes in the value of money, by almost 165 percent.

I am convinced that if the African continent is to move forward as a viable economic entity in the world community of nations, it will require South African economic capabilities, as well as that country's vast resources of strategic minerals and technological know-how.

Let us not delude ourselves in thinking that those who oppose U.S. investments in that part of the world are all of the do-good fashion in this country. Our enemies abroad would like to see nothing better than this august body passing laws that would prevent further investment. Personally, I shall continue to encourage my friends and associates to invest whenever possible. My one regret was my failure to acquire substantial holdings in the English language newspaper group, SAAN, when I made the bid for that group last year.

In my judgment, the future is bright and promising, in spite of the saber rattling that haunts them to the west and the east and the north.

U.S. BUSINESS TENDENCY TO DILUTE APARTHEID RESTRICTIONS

It has been my observation that American managers—in my business and in others— tend to dilute apartheid restrictions as much as they can within existing local laws. The American influence carries a humane dividend with it.

This is true not only in South Africa. Anyone familiar with European life realizes the traditional class systems of those countries has not been the same since the massive American involvement in Western Europe during World War II and subsequently.

We would be "throwing the baby out with the bath water," as the political cliche has it, if American businessmen pulled up stakes now in South Africa.

Blacks there would be hurt first and they would be hurt the most. Lack of freedom may be the greatest social evil, but unemployment comes pretty close.

CALLS FOR ECONOMIC BOYCOTT

Calls for an economic boycott are badly out of line, in my judgment. Such an action has a similar impact to a naval blockade, and can be interpreted as an aggression just short of all-out war.

Again, it escapes me how the crippling of the South African economy can aid black people or the members of any other race, for that matter.

Even in the short run, extreme economic pressure probably would strengthen the hand of the South African whites resisting racial reform.

Before the enactment of our own civil rights laws in the past 20 years there were foreign countries eager to criticize the way the United States handled its own race relations.

I do not believe that criticism from abroad hastened the obtaining of voting rights for blacks in the South. If anything, it probably delayed what was probably an inevitable development in any event.

I will be happy to answer any questions you may have.

Senator CLARK. Thank you very much. I appreciate your statement.

Mr. MCGOFF. Thank you.

Senator CLARK. Now we will go directly to testimony from General Electric by William Durka. Then we will have questions. Mr. Durka is the manager and counsel of international legislative and trade policy operation of General Electric in New York. Proceed as you prefer.

STATEMENT OF WILLIAM DURKA, MANAGER AND COUNSEL OF INTERNATIONAL LEGISLATIVE AND TRADE POLICY OPERATION, GENERAL ELECTRIC, NEW YORK, N.Y.

Mr. DURKA. Thank you, Senator Clark. I want to say personally I appreciate my being able to appear for the General Electric Co.

As you said, I am William Durka. I am the manager and counsel of the international legislative and trade policy operation of the General Electric Co.

I appear in response to the letter from the Committee on Foreign Relations in which, as you indicated, we were requested to appear and testify with a focus on the employment practices of our South African company.

Unfortunately, the General Electric vice president, who is operationally responsible for, and who would be best qualified to answer any questions about the South African General Electric Co., is unable to be here today. He is in Singapore right now. So by arrangement with the subcommittee, I am appearing in his stead.

A written statement on the employment practices of our South African company has been filed with the subcommittee. I appear today to give you a short summary of that written statement and shall then do

my best to answer any information-type questions you may have about the statement or otherwise, as well as, of course, an undertaking to supply hereafter company responses to any other questions that you may have.

SAGE BACKGROUND

General Electric Co. has had a subsidiary doing business in southern Africa since before the turn of the century.

Originally the business was a sales and import operation. Local manufacturing operations began after World War II, in 1945. We have our principal manufacturing operations at two plants. One is in Benoni, 20 miles east of Johannesburg, and another at Babelegi in the so-called Bophutatswana homeland area, 70 miles from the Benoni plant and 30 miles from Pretoria.

In addition to continuing as a "pull through" base for sales of U.S.-made products, the South African company locally manufactures a variety of consumer products, light industrial goods and components for some heavy equipment items, mainly locomotives.

The markets in which we sell are all very competitive.

SAGE EMPLOYMENT

Total employment of South African General Electric Co. (SAGE) and its majority-owned subsidiaries as of midyear 1976 was 1,945. Using the terminology that is conventional when discussing South Africa, this total employment is made up of 1,190 blacks, 116 coloreds and Asiatics, and 639 whites.

The blacks comprise over 60 percent of the total.

It is the policy of the South African General Electric Co. to provide equal pay for equal work and performance. There are no separate white, colored or black pay schedules.

As of September 1, 1976, average earnings of black employees were approximately 192 rands per month, including wages, bonus, and benefits.

This is an increase of 204 percent since 1970.

The average earnings of whites during this period increased by 119 percent.

In part, the increases, of course, reflect inflation. But, especially with respect to blacks, they also reflect the determined policy of our South African company.

In discussions in the United States on compensation practices as to blacks in South Africa, references are often made to various guidelines, such as the poverty datum line and the household subsistence level for a family of six. The entry level earnings of all unskilled workers in our South African company, including bonus, are 125 rands per month, which is above these guidelines.

As I have already indicated, the average earnings of blacks are 192 rands per month. Moreover, as in the United States, new hires, black and white, tend to be young and unmarried. A survey of our entry-level work force indicates only a small fraction, about 7 percent, have reached or exceeded five dependents.

The information in the submitted written statement, gives specific data on the progress our South African company is making in upgrading blacks and improving their working conditions.

FAIR, PROGRESSIVE EMPLOYMENT PRACTICE CONSTRAINTS

With respect to constraints against fair and progressive employment practices, our experience indicates that, so far as South African laws and customs are concerned, their constraining effect has been reducing in the recent apst and we expect this process to continue.

One factor contributing to this process is that the white worker force in South Africa is simply too small to monopolize the upper echelons of the South African economy as it develops and grows. In fact, shortages of white workers have occurred in the past, creating both the need for and the tacit, if not official, government acceptance of black upward movement in the economy.

The factor of cost as a constraint will, of course, vary, depending on general economic conditions, the status of the particular line of commerce that is involved, and the competitive position, strength and profitability of the individual U.S. company.

Our experience shows that fair and progressive employment practices result in lower turnover rates, greater productivity, and higher worker morale.

As the subcommittee well knows, the South African economy is still in a difficult economic situation. Our South African company is in businesses that are both highly competitive and sensitive to economic conditions.

Nevertheless, our South African company is maintaining its program for black worker training and upgrading. Improved economic conditions will enable us to increase our efforts.

In general, it is accurate to say we are making progress. But admittedly, we still have a long way to go. What we can claim is a determination to improve. As indicated more specifically in the submitted statement, our South African company operates under worldwide General Electric Co. requirements that local managements take maximum feasible steps to treat all workers fairly and justly.

These require constant efforts towards paying fair wages, giving equal pay for equal work, providing needed benefits, affording opportunities for training and promotion, maintaining adequate two-way communications, and treating all employees with dignity and respect.

Progress in these respects is regularly reviewed, both locally and at U.S. headquarters.

Thank you. I will be glad to answer questions.

[Mr. Durka's prepared statement follows:]

PREPARED STATEMENT OF WILLIAM DURKA

The South African General Electric Company (Pty.) Ltd. ("SAGE"), a wholly-owned and consolidated subsidiary of the General Electric Company, had its origin in a sales and distribution operation begun in South Africa in 1894. The operation was incorporated as the South African General Electric Company in 1898, and was essentially a sales and import operation. The present wholly-owned affiliate, South African General Electric Company (Pty.) Ltd. ("SAGE") commenced operations as a successor company in 1919.

Local manufacture was begun in 1945 with the production of magnet wire. Manufacturing activities at Benoni, 20 miles east of Johannesburg, have been extended to include a variety of consumer products and light industrial goods produced for the South African market (calrods, capacitors, magnet wires, switchgear and controls, freezers, refrigerators, washers, housewares). SAGE provides local sales and service for steel-mill drive systems supplied by GE-U.S.

and also markets locomotives assembled by Lorman Long (Africa) Ltd. as subcontractor, with components supplied both by SAGE and by GE operations in the U.S. SAGE holds majority interests in the Reid & Mitchell (Pty.) Ltd. apparatus service shop in Johannesburg and in Magnet Wires (Pty.) Ltd., a small manufacturing facility at Babelegi. In addition, SAGE continues to serve as a base for sales of U.S.-made products. Products manufactured in South Africa by the South African General Electric Compnay are not exported to the United States and only occasionally and in minor amounts to other countries.

EMPLOYMENT PRACTICES

Total Employment

Total employment of SAGE (including its majority owned subsidiaries, Reid & Mitchell, and Magnet Wires), as of July 31, 1976 was:

Black	1,190
Coloreds and Asiatics	116
Whites	639
Total	1,945

Compensation

It is the policy of the South African General Electric Company to provide equal pay for equal work and performance. There are no separate white, colored, or black pay schedules.

As of September 1, 1976, average earnings of our black employees were approximately R 192[1] per month, including wages, bonus and benefits. This is an increase of 204 percent since 1970. (The average earnings of whites have increased by 119 percent during this period.)

In part, the increases of course reflect inflation—but, especially with respect to blacks, they also reflect determined SAGE policy. And it should be noted and kept in mind that SAGE, in South Africa, operates in markets that are strongly competitive so that all cost factors are especially important.

The primary household subsistence level for a Benoni family of six blacks, that is, the minimum income standard to provide the necessities of life and a few other items was calculated in a study by Professor Potgieter of the University of Port Elizabeth, dated April, 1976, to be R 112.7, while a similar study by Professor Nel of University of South Africa, dated February, 1976, showed a figure of R 109.34.

The entry level earnings of unskilled workers in SAGE, including bonus, are R 125. As in the U.S. these workers tend to be young and unmarried. As indicated above, average earnings of blacks are R 192 per month.

A survey of our entry level work force indicates only a small fraction (7 percent) have reached or exceeded five dependents.

PROMOTIONS

Since the beginning of 1975, 226 hourly paid blacks have been promoted in job levels; 57 have been promoted to the level of Team Leader or Senior Team Leader; and a further 57 have been promoted to clerical positions.

Benefits

It is the policy of the South African General Electric Company to provide equivalent benefits for all races. Under this policy special provisions are made by our South African operations to try to adjust for differences in government and union plans and regulations as they apply to different racial groups. In addition, there are certain special benefits (special loans, bursaries, special training and counselling) for African employees.

A brief summary of company benfits arrangements:

1. Pension plans

There is an identical contributory company pension plan for all salaried employees. Black hourly employees are covered by a central industry pension plan, to which the company contributes five per cent of basic wages; employees contrib-

[1] The value of the rand in relation to the U.S. dollar has been dropping (currently R1=approximately $1.15). It was devalued twice in the past 18 months and is under further devaluation pressure.

ute nothing. The company is in the advanced stages of supplementing this plan with a company plan so that all hourly employees will have equal pensions. This supplementary plan is expected to start in January, 1977.

2. Life insurance

All salaried employees and all hourly employees have equal coverage under group life insurance plans which require only a small contribution for married salaried employees. The coverage is 3 times annual salary for married salary employees, 2 times annual salary or wages, for all other employees.

3. Health plans

All salaried employees are eligible for cover under the Medical Service Plan provided by the company. All white hourly employees are covered under the central industry Medical Aid fund. All black hourly employees have coverage under the State funded plan.

4. Disability plans

All black hourly employees are covered for accidents at work through the government Workmens Compensation Plan. In addition, all employees have certain coverage for major accidents under the group life insurance plan.

5. Sick leaves

All salaried employees are eligible for 60 working days sick leave every three years. Additional sick leave may be granted in certain circumstances with the approval of the Managing Director. All hourly black employees are governed by the statutory provisions in the Main Agreement for the Metal Industries, providing approximately 10 days per annum.

In addition, further sick leave is frequently granted for long service hourly employees of all races, particularly black.

6. Medical clinic

The company has a well equipped medical clinic at Benoni staffed by fully trained personnel who provide medical care covering a wide variety of illnesses and injuries. In addition all black employees are required to have X-rays annually for tuberculosis through the National Tuberculosis Association visiting X-ray unit. At Babelegi SAGE employees have the use of a well-equipped and fully staffed first aid clinic in the industrial area.

7. Loans

The company provides loans to all employees for a variety of purposes.

Progress

To enable the programs for upgrading African employees to be successful in actual practice, they have been designed from the local level point of view. That of course is where they are implemented. Local managers are selected whose attitudes are consistent with what we are trying to do:

In 1970 SAGE had no blacks in salaried or clerical positions. We now have 35 blacks in such positions, including several in management positions at Babelegi.

An additional 17 Africans are in jobs generally regarded as inside the job reservation rules under South African law. This is with the full knowledge of the Ministry of Labor. (The number was higher until a recent change in law permits Africans in one additional wage level.)

As of September 1, 1976, we have five blacks who have been recruited and trained as service technicians in the field, all of whom operate in a full service capacity in both white and black homes. That is, they are not merely assistants. These jobs were formerly performed exclusively by whites.

During 1976 nine additional blacks were upgraded into "white" positions and four blacks have been recruited into positions previously held by whites.

From January, 1975 to February, 1976, SAGE promoted 88 blacks in wage level—with 32 of these people promoted more than one level.

From January, 1975 to September, 1976 33 blacks were promoted or recruited to salaried status. This figure includes 6 foremen at Babelegi who report directly to the plant manager.

In the SAGE factories at Benoni, there are a total of 16 black senior team leaders and 41 black team leaders, all of whom have received thorough supervisory training, both on and off the job during 1975 and 1976.

Homelands

The new housewares manufacturing operation in Babelegi, 30 miles from Pretoria and 70 miles from SAGE headquarters in Benoni, shows the progress being made in upgrading African job opportunities. Babelegi is in the Bophutatswana homeland. Principal products are housewares and calrod heaters. As of July 31, 1976, employment was 163 (160 blacks). Although we have a white manager there now, we are developing Africans to take over management of the plant, and we are using this operation to train the foremen and supervisors, all of whom are black.

Investment in a Homeland area has been criticized by U.S. groups, on the ground that it is supportive of apartheid. However, the elected chief minister of this Homeland (Minister Lucas Mangope) has pressed for industry, because of the economic training, and living benefits it offers his people:

Most of the Babelegi black foremen (6) and black supervisors (7) received extensive training at Benoni, prior to their placement at Babelegi.

Of the 163 employees at Babelegi, there are only 3 whites including the plant manager.

Black worker representation

At both Benoni and Babelegi, the black workers are represented by "liaison committees" of black members, democratically elected by the blacks, which meet monthly with senior management representatives to discuss whatever terms or conditions of employment the liaison committee wishes to raise. Examples of results of these meetings; institution of a formalized grievance procedure for hourly employees; change in the appliance plant annual shutdown date from April to December.

Vocational training

The company provides a variety of programs to improve job skills and to give management/supervisory training. All employees are eligible. These programs include both in-compnay and external courses. Thus far in 1976, sixty-five blacks have completed supervisory training courses and a further 120 blacks have completed skills training courses.

Educational support

The company has a bursary plan (started with a $50,000 fund), which is primarily for blacks at the high school, college and university levels. Since October, 1973 the company has provided 228 bursaries (123 thus far in 1976) to employees, of which more than ninety percent have gone to blacks. In addition, the company has a tuition refund plan for which all employees are eligible. In 1973, the secondary school at Daveyton, where about three-fifths of SAGE black employees live, was expanded. SAGE contributed $37,500 to the building fund.

FACTORS AFFECTING EMPLOYMENT PRACTICES IN THE FUTURE

1. Constraints because of South African laws and customs:

These have been reducing in the recent past and we believe this process will continue.

One factor contributing to this process is that the white worker force in South Africa is too small to monopolize the upper echelons of the South African economy as it develops and grows. In fact, shortages of white workers have occurred in the past, creating both the need for and the tacit—if not official—government acceptance of black upward movement in the economy.

2. Constraints because of economic costs:

This factor will of course vary, depending on general economic conditions, the status of the particular line of commerce that is involved, and the competitive position, strength, and profitability of the individual U.S. company.

Our experience shows that fair and progressive employment practices result in lower turnover rates, greater productivity, higher worker morale, greater loyalty, etc.

At the moment, the South African economy is still in a recovery mode and SAGE is in businesses that are both highly competitive and sensitive to economic conditions.

Nevertheless, SAGE is maintaining its program for black worker training and upgrading. Improved economic conditions will enable us to increase our efforts.

3. Incentives that encourage progressive practices:

As indicated more specifically above, SAGE operates under General Electric Company requirements that local management take maximum feasible steps to treat black workers fairly and justly. These require constant efforts towards paying living wages, giving equal pay for equal work, providing needed benefits, affording opportunities for training and promotion, maintaining adequate two-way communications, and treating all employees with dignity and respect. Progress in these respects is regularly reviewed both locally and at U.S. headquarters.

Senator CLARK. Fine. Thank you very much. As I said earlier, we do have a number of witnesses, so I am going to try to keep my questions short and to the point and will ask you to try to do the best you can on answers in the same way.

ECONOMIC BOYCOTT

Mr. MCGOFF. I gathered from the tone of your testimony that you felt that economic boycott—or embargo, one might say—sanctions, whatever, just do not work very effectively and they would be counterproductive.

Mr. MCGOFF. I really do believe they would be counterproductive.

U.S. SANCTIONS AGAINST RHODESIA

Senator CLARK. Do you feel the United States made a mistake in joining with I think all of the other countries of the United Nations except South Africa in sanctions against Rhodesia?

Mr. MCGOFF. Yes; we made a mistake.

Senator CLARK. Do you think that we should have joined South Africa and voted against this in the United Nations?

Mr. MCGOFF. Yes; I do.

Senator CLARK. Why so?

Mr. MCGOFF. I think our national security, Mr. Chairman, must come first. The mineral deposits which we require to feed our machines of war or of peace are from that part of the world.

It should be in our best interest to see to it that those sources are open to us.

Senator CLARK. And not just chrome, but all the other minerals?

Mr. MCGOFF. That is correct.

Senator CLARK. So it wouldn't be a question of support of the chrome?

Mr. MCGOFF. Plutonium and uranium also.

UNITED STATES RECOGNITION OF RHODESIAN GOVERNMENT

Senator CLARK. Then we would soon have recognized the Government of Rhodesia when it declared its unilateral independence?

Mr. MCGOFF. I think we should have, yes.

KISSINGER ATTEMPTS TO REPLACE WHITE RHODESIAN GOVERNMENT

Senator CLARK. What do you think of Secretary Kissinger's attempts to replace the white government?

Mr. MCGOFF. I am delighted, Mr. Chairman, to see our Secretary finally opening lines of communications with not only blacks but the

whites, as we have. They have as much right to be heard and to be understood as does any other nation in the world community. Therefore, I am delighted to see what has occurred and I hope much success will come from his visits.

Senator CLARK. You would like to see a transition to majority rule as he has proposed,

Mr. MCGOFF. I think it is absolutely necessary.

BLACK/WHITE SOUTH AFRICAN POWER SHARING

Senator CLARK. Do you expect that the Government of South Africa, and Vorster government or governments that might follow that—the Nationalist Party government in South Africa—will share political power with blacks in the country?

Mr. MCGOFF. Yes.

Senator CLARK. In that central government?

Mr. MCGOFF. Yes, this is coming. They are realizing it. They understand the problems that confront them, and they are going to be realistic enough to make the necessary changes to see an evolutionary process developed, not revolutionary.

Senator CLARK. So you think the homelands policy will give way to a policy in which blacks will actually have the vote and participate in the central government?

Mr. MCGOFF. I believe that will occur, although there is still much desire on the part of that government to continue separate development. I don't see that totally as an ill-fitting process.

HOMELANDS INDEPENDENCE

Senator CLARK. Could you expand on what you mean by that—you don't see that as an ill-fitting process?

Mr. MCGOFF. I have had an opportunity to visit the homelands. As a matter of fact, our plant is at Bophutatswana. We are neighbors of General Electric there. I have been in the Transkei. It perplexes me that our United Nations would not consider accepting the Transkei as an independent nation. There has been much progress there. It is a lush, beautiful part of South Africa.

Senator CLARK. Don't you find the homeland policy in some way the substantiation of the separatist system? Isn't that the hope of the central government that if you had homelands and the blacks belonged to a homeland, that no political rights would have to be granted in the central government?

Mr. MCGOFF. I believe I indicated that they are attempting, I believe, a two-pronged process. In other words, to continue to promote and develop the separate development concept, but at the same time being realists, to understand and appreciate that black majority is going to have to come or a shared government is going to develop in the not-too-distant future.

PUBLIC INDICATIONS OF BLACKS SHARING POLITICAL POWER

Senator CLARK. Can you think of a single governmental official in the last 10 years who has ever given a public indication of any kind that blacks would share in political power in the central government?

Mr. McGoff. I think this has even been stated by Mr. Vorster. Certainly, Dr. Connie Mulder has made statements of that nature.

Senator Clark. Namely, the blacks will have the vote?

Mr. McGoff. I didn't say they would have the majority vote, but they would share.

Senator Clark. They would share power?

Mr. McGoff. Yes.

Senator Clark. I would like to have you give us some of those; dig back and find them. I seriously doubt that the central government in South Africa or the Nationalist Party or the people in power have ever suggested that they are going to share political power with blacks in the central government of South Africa.

Mr. Vorster only 2 weeks ago in a major address at the Nationalist Party said specifically, "We will never share power with blacks." I am not talking about what they might do. I am talking about what they say.

Mr. McGoff. That is right. I think what is stated for the public record and what is said at other times can many times be directly the opposite.

Senator Clark. We would appreciate having any statements that you might know of or have access to that appeared along those lines.

ACQUISITION OF SAAN

More specifically with your own testimony, you mention your disappointment in not being able to acquire holdings in the English language newspaper called SAAN. What were your objectives, along with Mr. Luyt, in trying to acquire these papers?

Mr. Luyt is a South African?

Mr. McGoff. That is correct.

Senator Clark. An Afrikaner?

Mr. McGoff. Yes.

Senator Clark. Why did you and Mr. Luyt want to acquire these papers?

Mr. McGoff. I have been developing a sizable group of newspapers in this country. As I indicated, I believe there is a great future in not only South Africa, but all of Africa. I believe the Continent of Africa will be a very, very important part of this world in the not too distant future.

I want to be able to share in that. I want to share my talents and, hopefully, my leadership in the publishing field to what I consider to be an extremely backward group of newspapers in that part of the world.

Senator Clark. Like the SAAN papers?

Mr. McGoff. Yes.

Senator Clark. Do you consider them somewhat backward?

Mr. McGoff. Yes.

Senator Clark. Is that the Rand Daily Mail group?

Mr. McGoff. Yes.

Senator Clark. I don't know much about them. I read them occasionally. Why is it they are backward?

Mr. McGoff. They are still using yellow journalism that I had hoped we got rid of 50 years ago. Many in this country who don't

understand the policies of their country wouldn't believe the looseness of publications in that country. They haven't any censorship and there are times, when they should have been censored because of the degree of irresponsibility they have shown many times.

Senator CLARK. But you don't have censorship on the chain of newspapers you have?

Mr. MCGOFF. No, I do not. There are times when perhaps someone should rap us, however.

Senator CLARK. How would we go about doing that?

Mr. MCGOFF. I am not going to suggest that.

RAND DAILY MAIL, AFRIKANER PAPERS PRINCIPLES

Senator CLARK. It is my recollection—you correct me if I am wrong—that the Rand Daily Mail chains are the more liberal of the various English groups, along with the Johannesburg Star.

Mr. MCGOFF. I think that would be putting it mildly.

Senator CLARK. You think it is more than liberal?

Mr. MCGOFF. Yes.

Senator CLARK. How would you characterize it?

Mr. MCGOFF. I would characterize it as radical.

Senator CLARK. What about Afrikaner papers?

Mr. MCGOFF. I can't characterize those because I can't read them.

Senator CLARK. You can't read them?

Mr. MCGOFF. That is correct.

Senator CLARK. But if you and Mr. Luyt had obtained this very large chain of Rand papers, the SAAN papers, you would certainly have attempted to project a much more conservative view of the South African scene.

Mr. MCGOFF. I think that would be correct. I have always had a very basic premise; that is, if the banker in town and the publisher in town are progressive, they are going to make that community move upward and onward, if I may use that term.

Senator CLARK. The banker and who?

Mr. MCGOFF. And the publisher.

Senator CLARK. So that the destiny of the community, in many respects, is in their hands?

Mr. MCGOFF. I believe that very strongly.

Senator CLARK. You would like to see that occur in South Africa?

Mr. MCGOFF. Yes. I think the Afrikaner has much to wish for. Many are still living in a previous century. I believe that television will bring, and is bringing them out of the shell that they have been in for a long time.

AFRICAN NEWSPAPER PURCHASE

Senator CLARK. You mentioned that you are interested not only in South Africa, but in other parts of Africa. Have you ever made offers to buy newspapers in other parts of Africa?

Mr. MCGOFF. No, sir, I have not. I have in Europe, however.

Senator CLARK. But you intend to, if you can do that?

Mr. MCGOFF. Yes.

"CITIZEN" NEWSPAPER

Senator CLARK. Following the failure of your purchase of the SAAN papers, a relatively conservative newspaper, called the Citizen, has been launched in South Africa. Are you involved in that project?

Mr. MCGOFF. No, sir. I don't believe that it can be successful.

SOUTH AFRICAN PRESS VIEW OF UNITED STATES

Senator CLARK. What image of the United States does the press have in South Africa, as you view it—if you can generalize that?

Mr. MCGOFF. I think we have a very good image. It amazes me that we are treated as well as we are in that we have slapped them for so many years. Our image is good.

Senator CLARK. Just one last question on that issue: As I understand South African society and the basic ethnic groups, we are talking about something like 18 million blacks and then about, I think, 2.4 million mixed race, colored, about 750,000 Asians, and about 4.2 million whites. Of that group, something over 50 percent would be Afrikaner and something under 50 percent would have basically English ethnic backgrounds.

As I recall, the Johannesburg Star and the Rand Daily Mail chain are the principal spokesmen for the English ethnic groups in the country. Is that accurate?

Mr. MCGOFF. Yes, that is accurate. Yes.

DENYING MAJOR POPULATION SEGMENT EDITORIAL VIEW

Senator CLARK. If you were to buy out the major English chain, so to speak, not English language but English chain, wouldn't you in some ways be denying that very major part of the population of South Africa of their editorial point of view?

Mr. MCGOFF. No, sir, I don't believe so. In fact, I think I would give it a much greater balance than it now has. You have explained it. It is an extremely complex society with 13 tribal nations, none of whom interrelate. Then there are the colored and the Afrikaner and the English-speaking. It is extremely complex.

The Afrikaners don't read the English language newspaper very often and the English-language-speaking people can't read the Afrikaner newspapers. That in itself creates a tremendous complexity of that society.

Senator CLARK. But suppose that you and Mr. Luyt had been successful in this or may be in the future, it seems to me you have a very large portion of that population, the English population, where their source of editorial information at any rate comes again from your South African, Mr. Luyt, who has a much more conservative view.

Just looking at the society as a whole in terms of the representation, wouldn't it be more desirable socially or politically or editorially?

Mr. MCGOFF. I think if you read those English language newspapers enough yourself and understood the society down there, I believe you would also say it needs a bath.

Senator CLARK. Let me go to another subject.

Mr. MCGOFF. So conservatism isn't all bad.

Senator CLARK. What?
Mr. MCGOFF. I say conservatism isn't all bad.

BIERMAN ENTRY INTO UNITED STATES

Senator CLARK. I didn't mean to imply that at all.

In response to questions following the speech which you made before the Michigan chapter of the Daughters of the American Revolution in January 1975, you explained how you were involved in facilitating South African Defense Chief Hugo Bierman's entry into the United States.

Can you tell us about that in a little more detail?

Mr. MCGOFF. When was that?

Senator CLARK. January 1975, about 18 months ago or so, when you talked to the DAR there.

Mr. MCGOFF. As you well know, Mr. Chairman, there has been an unwritten policy, as I understand it, in the United States that no military officer over the rank of, I believe, a colonel——

Senator CLARK. Right.

Mr. MCGOFF [continuing]. Can come into the United States from South Africa. That in itself, in my judgment, is a tragedy. Again, I believe if we are able to interrelate with the Soviet Union and other countries who don't have our best interests at heart, then certainly we should relate to them.

I have known Admiral Bierman and was most anxious for him to visit our country, not as a military man, but as a private citizen; and I did everything I could. As we know, it came out successfully, that he did have the opportunity to visit the United States.

There were many jokes because of the visit; but it always did, and still does, perplex me that one man, coming from a little country at the very southern tip of a great continent, could create such a stir in such a great country as the United States.

Senator CLARK. As you say, I think quite accurately, the State Department has a policy against that. How did you talk them out of it? How did you succeed?

Mr. MCGOFF. With great effort.

Senator CLARK. But they succumbed to your argument?

Mr. MCGOFF. I think they did, yes.

Senator CLARK. I see in your response here, you say:

"The Chief of Defense wanted to come to the United States several years ago and I said. "Come on"; and he said, "Now you will have to get me a visa."

Now remember, this is a free country, a part of the free enterprise system of the world, and the United States State Department blocked the visa. Now I am bragging. I said to their top man, "tell him to go to London. He will see to it there. We have a Chief of Defense, a full admiral"—

The name is not given here.

"He flew to London, sitting there on his can, wondering whether he can come to the United States and the present President of the United States was not President then and our Secretary of State was the one who took care of the unwritten policy that the United States Department has, because of left leaning liberals, the flaming liberals on the African desk of our U.S. Department said, "No you can't come" and I said, "We are going to come." The Secretary of State called me from somewhere in the Middle East and said, "We will have the visa in the morning."

Is this an accurate statement?

Mr. McGoff. That is an accurate account, that is correct.

UPRISING IMPACT ON GE OPERATIONS

Senator Clark. Mr. Durka, what generally has been the impact of recent events on your operations in South Africa—these various uprisings, and so forth? Have they caused you any particular problem as a company there?

Mr. Durka. Not to my knowledge. I should say in advance, Senator Clark, that my personal information, as I previously indicated, on this whole general subject area is limited and I respectfully request your understanding of that in connection with my respones, especially if I have a tendency to want to say that I would like to save various questions you asked for later reply, rather than trying to answer them definitely now.

In direct answer to the question you have asked, to my knowledge, recent events have not affected our operations in South Africa.

INTRODUCTION OF INFORMATION MINISTER TO VICE PRESIDENT FORD

Senator Clark. Mr. McGoff, I noticed in other information here that you have been credited with introducing South Africa's Minister of Information, Connie Mulder—a rather well-known person in South Africa and in this country—to Gerald Ford while he was still Vice President. Is that accurate?

Mr. McGoff. Yes, that is right.

MCGOFF'S ROLE IN ASSISTING CONTRACTS

Senator Clark. What do you see as your role in assisting these contacts? In the broader context, why this approach?

Mr. McGoff. The role, sir, is to communicate. If we can communicate, then I think we can solve many problems.

Senator Clark. Do you feel you have solved it in this case with Mr. Mulder and Mr. Ford?

Mr. McGoff. I think it opened the line of communications, yes. I am not certainly going to take the credit for Mr. Kissinger going to Africa, but I believe opening those lines had something to do with our top people in government to say let's take a look at this.

Senator Clark. Could you characterize in any way progress that was made as a result of this meeting?

Mr. McGoff. No. I don't think I could. It was just opening a line.

UPRISING IMPACT ON GE OPERATIONS

Senator Clark. Thank you. Back to Mr. Durka. You are unaware of the strikes there as having caused any great problem as far as General Electric is concerned, or you are just unaware of any particular problem?

Mr. Durka. That is correct. I assume your question implies significant changes rather than the day-to-day changes?

Senator CLARK. I mean the fact that many South African workers have not gone to work as a result of the strikes, it has not had any great impact that you are aware of on your own operation?

Mr. DURKA. That is correct.

Senator CLARK. Do these uprisings cause you to have any particular misgivings about your long-term continuation in South Africa?

Mr. DURKA. No.

Senator CLARK. So that the policy changes or new views, and so forth, don't exist insofar as a reaction to these recent uprisings in the last 3 of 4 months?

Mr. DURKA. These recent events would not by themselves cause any changes in our plans.

SAGE PROFITABILITY

Senator CLARK. In your testimony, you refer to economic constraints on your employment practices. It is our understanding that General Electric's operations generally in South Africa have not been particularly profitable. Is that understanding correct?

Mr. DURKA. In general, yes.

Senator CLARK. Why so? Do you have any views why it hasn't been particularly profitable? We got Mr. McGoff as talking in terms of rather positive progress there with his company in South Africa. Why do you suppose yours is not making progress?

Mr. DURKA. I think we have made progress. Our South African company has made progress in South Africa, but not on as profitable a basis as we would like. I think the general explanation is that we are operating in general with very competitive industries in South Africa. I also indicated that the South African company has a distinct second function which has been valuable, that it operates as a pull through for sales of U.S. exports.

ECONOMIC UNPROFITABILITY IMPACT ON GE EMPLOYMENT PRACTICES

Senator CLARK. What has been the specific impact of the unfavorable economic situation in South Africa in the company's unfavorable practices in terms of wages and benefits? We have seen a downturn in the economy. You have said that your company has not done as well as you thought perhaps it should have or might have in South Africa. What effect has that had upon your labor practices?

Mr. DURKA. My understanding is that we are maintaining the progress we have attained. That is, we have not retrograded. We are maintaining the progress we have attained. What I meant to indicate was that as conditions improve our ability to accelerate our own progressive efforts will increase.

Senator CLARK. But if the economy stays in the present state and your profits stay in roughly their present state, you wouldn't expect to see any great improvement in any of those areas.

Mr. DURKA. All we can do is what we can.

Senator CLARK. So that, if present statistics continue, you will not expect that your labor practices, wage benefits, and so on—the progress that you feel you have made in the past—you wouldn't expect to extend those in the future unless the economic situation or your profits increased?

Mr. DURKA. I am not a real expert in this area, especially in regard to South Africa. But just speaking generally, I would think a distinction should be made between the kinds of changes in employment practices that could be characterized as improvements and as progressive, even in the face of economic difficulty, simply because of the dynamism that is at work, as distinct from even greater, more innovative, and perhaps new progress that greater economic prosperity would make possible.

Senator CLARK. What is the dynamism that is working in South Africa?

Mr. DURKA. I think the logic of events. As we have been referring in various ways to what is happening in South Africa, there is a certain logic to the events that have transpired which has a force of its own.

Senator CLARK. The uprisings?

Mr. DURKA. That would be one factor, but by no means the only one.

GE BOPHUTATSWANA OPERATIONS

Senator CLARK. I wanted to talk with you about your operation in Bophutatswana, the homeland. You mentioned that you have recently opened a new housewares manufacturing operation in Bophutatswana. What prompted the company in this case to decide to establish the operations here rather than extending the operations in Benoni, let's say?

Mr. DURKA. As I understand, there are various tax and other incentives to operating in areas like the one where the Babelegi plant was started.

Senator CLARK. In the homeland?

Mr. DURKA. Yes; in the Homeland. I should also say Senator, in response to an observation you made in your opening statement about the limited progress that has been made, my understanding is that the Babelegi plant is being designed to be a plant that will be run by blacks in the near future.

Senator CLARK. Would you repeat that?

Mr. DURKA. The Babelegi plant, which now consists of 163 employees, only three of whom aren't black, is being operated in a manner that we contemplate in the future would be run entirely by blacks.

Senator CLARK. So you have three whites out of 163?

Mr. DURKA. Out of 163 presently, the manager and two others.

Senator CLARK. It is all black now, except three?

Mr. DURKA. That is correct.

Senator CLARK. And those are the three top people?

Mr. DURKA. Right.

Senator CLARK. So you would hope that those three top managerial positions would eventually also be black?

Mr. DURKA. Right. And we are training blacks to replace those three.

BLACKS IN SUPERVISORY POSITIONS OVER WHITES

Senator CLARK. Let me ask you something that I guess I have asked every company that has appeared here. We have been told, by I think every other witness here, that there is an unwritten law in South

Africa that all of their companies abide by—I want to ask you whether you do as well—that no black ever be put in a position of supervision over a white. Do you have any blacks in positions of supervision over a white in any of your companies?

Mr. DURKA. To my knowledge, no.

Senator CLARK. Do you, Mr. McGoff?

Mr. MCGOFF. I am sorry, I can't answer that.

Senator CLARK. You just don't know?

Mr. MCGOFF. No.

Senator CLARK. I was hoping we might find one in any of the American companies, but we haven't so far. We will try to include that in our questionnaire and see if that is the case. That is the reason I wondered in this particular case how you are going to be able to get blacks in managerial positions at the top because they are not going to be supervising any whites in the case you mentioned.

Mr. MCGOFF. Sir, we have about 200 employees. As I indicated, we are right next door to GE over there. I would say out of 200, we have less than 10 whites in that plant. As I mentioned in my testimony, under our agreement with BIC——

Senator CLARK. What is BIC?

Mr. MCGOFF. Bantu Investment Corp. In 17 years, that entire plant is turned over to the Bantus, to the blacks. So we are training them in management. But I can't answer the question.

Senator CLARK. You said you have 10 whites?

Mr. MCGOFF. Less than 10.

Senator CLARK. You assume they are all in supervisory positions over blacks?

Mr. MCGOFF. I think that is correct.

INCENTIVES FOR INVESTING IN HOMELAND

Senator CLARK. Let me come back to Mr. Durka. You said that you assumed that you invested in this homeland because there were economic advantages. What did you say, tax incentives to invest in homelands?

Mr. DURKA. That is my understanding, yes.

U.S. BUSINESS CONFLICTS WITH FOREIGN POLICY OBJECTIVES

Senator CLARK. This gets to the question I was asking about, in the opening statement about whether American company objectives might sometimes come in conflict with American foreign policy objectives. This might really become a reality in your case. This committee is working on foreign policy. Our business is not to look at American business, except insofar as it's relationship with American foreign policy I don't know that there is any answer to it.

Suppose that on October 26, and we are very close to that now, when the Transkei, the first of these Homelands, is to receive its independence that the United States decides not to recognize the Transkei. Indeed, there is every indication that we will not recognize the Transkei and that we will issue a policy position. I don't want to presume to know what that would be. I have no idea. It seems to me that we will have to issue a policy decision in which we might well say we

are not going to recognize the Transkei because we believe the principle of the homelands is the support of the principle of separate development—in other words, the apartheid system.

That would then mean that the United States has a foreign policy objective recognizing homelands. You would find yourself in a position of cooperating with the South African Government because obviously they want to build the homelands. That is the basis of the apartheid system. That is the basis of separate development. You would find yourself in a sense following a policy of meeting the incentives. They are giving you tax advantages, obviously, to invest in these homelands to assist separate development, which is a substantiation one might argue of the apartheid system.

Would that bother you?

Mr. DURKA. Let me answer by making three points. First, you hypothesize a situation which if it eventuates would clearly create a serious problem for the company. But there are two additional points I would like to make. One, is that it is our understanding that so far, to this very day, what we are doing in the Bophutatswana homeland is not inconsistent with U.S. policy. That is my first point.

Senator CLARK. Why not?

Mr. DURKA. That is our understanding.

Senator CLARK. You mean our present policy?

Mr. DURKA. Yes; our present policy.

Senator CLARK. I see.

Mr. DURKA. The second point I would like to make is that it is my understanding that it has always been the worldwide practice and policy of the General Electric Co. to conform to U.S. policy. Therefore, if, as you hypothesize about the future, U.S. policy were to change in a manner that would in effect concretely say that what we are doing at Babelegi and the Bophutatswana homeland is now clearly no longer consistent with U.S. policy, as I indicated at the outset, we would have a very serious problem because the General Electric Co. has always, to my knowledge, operated in a manner that conformed to U.S. policy.

Senator CLARK. What about Mr. McGoff? Suppose they made such a statement, are you going to get out?

Mr. MCGOFF. No; I am not. I am staying.

Senator CLARK. If the State Department and our Government determines that it is not our foreign policy objective, you also find yourself in contradiction to that?

Mr. MCGOFF. Yes. If there were legal means to prevent that, I would undertake those legal means.

HOMELAND WAGE COMPARISON

Senator CLARK. Mr. Durka, it is our understanding that wages in the homeland generally run below those paid in the nonhomeland areas. Is that true of General Electric's operation? If so, what is the difference?

Mr. DURKA. I regret I am not informed on that particular point.

Senator CLARK. You don't know whether you are paying more or less?

Mr. DURKA. I don't know.

Senator CLARK. Would you supply that for the record?

Mr. DURKA. Yes.

Senator CLARK. We will keep the record open for 2 weeks so that we might have an answer.

[The information referred to follows:]

HOMELAND WAGE COMPARISON
(Supplied by General Electric)

Is there a difference in average wages paid to black employees between plants in nonhomeland and homeland areas?

Average wages are less in homeland areas; difference reflects lower living costs, less overtime work due to economic conditions, and other factors.

SALARIED POSITION PROMOTION, RECRUITMENT FIGURES

Senator CLARK. I am particularly interested in your figures on promotion and recruitment for salaried positions. You mentioned in your testimony that the company moved 33 blacks into salaried positions between January 1975 and September 1976.

Compared to other companies that I have seen, this looks like a rather impressive increase. Why did it take place at this time? Why did you decide to do that in that 18-month period?

Mr. DURKA. To my knowledge, that is the result, during that period, of practices that have been going on for some time. So far as I know, there was nothing in particular that was extraordinary or unusual that accounted for that.

Senator CLARK. That number is not unusual in your past record?

Mr. DURKA. No. I didn't say that. What I was intimating is that this was the result of the programs that we are pursuing. What I would like, Senator, if that figure seems unusual to you, is to look into it and supply additional information as to whether or not there is anything unusual about it.

Senator CLARK. Yes; I am curious about why it happened. It would appear that that is a faster increase than you have had in the past. But I am not sure of that.

[The information referred to follows:]

SALARIED STATES PROMOTION AND RECRUITMENT FIGURES
(Supplied by General Electric)

Were there any unusual factors that accounted for the fact (stated in GE's statement) that South Africa General Electric Co. Ltd. recruited or promoted 33 blacks to salaried status between January 1975 and September 1976?

No. The actions reflected regular practices and policies, and the results of a program begun several years ago to upgrade black employees by means of training.

Senator CLARK. What has been the impact on company performance and what costs were incurred by that? Do you know enough detail about those to answer?

Mr. DURKA. No. I don't believe that this was anything out of the ordinary in terms of how we are operating now.

PERFORMANCE, PRODUCTIVITY GAINS

Senator CLARK. You mentioned that your "experience shows that fair and progressive employment practices result in lower turnover

rates, greater productivity, higher worker morale." Is it possible for you to be more explicit in describing the gains that the company may have made in productivity or performance as a result of upgrading its employment practices?

Mr. DURKA. I don't have that specific data. I do understand that our management in South Africa thinks that they have benefits in all of these areas that I mentioned. For example, lower turnover rates. We feel we have a good turnover rate in our plants in South Africa as regards the black workers.

CONSTRAINTS ON LABOR PRACTICES

Senator CLARK. Also you state the constraints on labor practices, because of South Africa's laws and customs, have been reduced in the recent past. Could you be more specific? What constraints have relaxed? And what has been the result?

Mr. DURKA. For example, as is mentioned in the submitted statement, where we refer to the Africans who are in jobs generally regarded as inside the job reservation rules, we give a figure there of 17. That figure would have been considerably higher until recently because of a recent change in the South African laws that relaxed the job reservation rules in the manner indicated. But at the time that the workers were put into those jobs by us, they were inside the job reservation rules as then in effect.

As a result of recent relaxation of South African practices, of those previously in job reservation categories no longer are so regarded.

JOB RESERVATION LAW

Senator CLARK. How does the job reservation law work? What is its goal? What is it?

Mr. DURKA. I must confess, frankly, I have gotten different explanations from different people as to how it operates.

Senator CLARK. Just generally as you understand the law.

Mr. DURKA. My general understanding is that either by governmental indication one way or another or by union agreement or by white-worker demands or by custom that may reflect accretions from one or more or all of these sources, certain types of jobs tend to be regarded in various industries or in various hierarchical work structures as reserved for whites. Then as pressures from one source or another on the part of the employer arise to try to move blacks into those jobs, you may or may not have problems or complaints, depending on various circumstances.

BLACKS IN CLERICAL POSITIONS DISCREPANCY

Senator CLARK. I am somewhat confused by references on one page to 57 blacks in clerical positions and on another page further back to 35 blacks in such positions. We are talking about the same thing, are we not, or what is the explanation?

Mr. DURKA. Fifty-seven and——

Senator CLARK. Thirty-five. Maybe those are different jobs or something.

Mr. DURKA. I can clarify when I submit the other material.

Senator CLARK. Good. I think it would be very helpful to this committee if, in submitting these, the company could provide us with a chart—some other companies have done this—showing the numbers of workers by race, wage rate, job category, at the Babelegi plant and one showing the workers at the Benoni plant. Could you supply that for the record in the next couple of weeks, sir?

Mr. DURKA. Yes.

[The information referred to follows:]

GENERAL ELECTRIC EMPLOYMENT STATISTICS

[Supplied by General Electric]

Chart requested by Senator Clark showing number of South Africa General Electric Co. Ltd. employees by race and type of work is as follows:

SOUTH AFRICAN GENERAL ELECTRIC CO. (PTY.) LTD.

	Total employment, July 31, 1976		
	Blacks	Coloreds and Asiatics	Whites
Factory workers (hourly paid)	1,156	93	227
Clerical workers (salaried)	33	23	150
Professional and management	1		262
Total number of employees (1,945)	1,190	116	639

"EQUAL PAY FOR EQUAL WORK" POLICY

Senator CLARK. When the company says that it has a policy of equal pay for equal work, does it mean that it is actually paying equal pay for equal work? Is that exactly what it means, that people who do exactly the same job get exactly the same pay?

Mr. DURKA. My understanding is that we are doing our best to give the same total compensation to workers who do the same work. To my knowledge, there may be variances in the benefits area which we are working to correct.

Senator CLARK. So the difference may be in fringe benefits?

Mr. DURKA. Yes. As I say, it is our policy to do this. I am not sufficiently familiar with our operations to answer categorically, sweepingly, that there are no exceptions. This is our policy. I am unequivocably informed on that subject. I do know there are differences in benefits that we are working to ameliorate. For example, our written statement states that in the pension area, we are working on a change we hope to make in the near future that will help to equalize the pension benefits.

Senator CLARK. The other problems here, of course, may be that it may be difficult to ever find blacks in the same equal work positions as whites.

Mr. DURKA. That is correct.

Senator CLARK. As we have seen with the examples you have both given here, I think you have blacks that go to a certain level and then you have whites that go the rest. So there is nobody ever in a position of doing equal work. So that one would have a very difficult time analyzing whether you have equal jobs. Do you know of examples of blacks and whites holding the same position where any kind of comparable pay would be applicable?

Mr. DURKA. Yes. My understanding is we have positions where whites and blacks are doing the same work. In those cases, it is my understanding that they are being paid similarly.

Senator CLARK. In which plant?

Mr. DURKA. At Benoni.

Senator CLARK. But not at the other plant?

Mr. DURKA. No; because of what I said.

Senator CLARK. But at Benoni, you have whites and blacks doing the same work and receiving the same pay, same levels and positions?

Mr. DURKA. Yes. With the qualifications I indicated.

Senator CLARK. With the fringe benefit qualification?

Mr. DURKA. Yes; and there may be other cases that I am not familiar with. But in general, all workers doing similar work are paid the same.

Senator CLARK. But no whites are supervised by blacks?

Mr. DURKA. That is my information.

Senator CLARK. And all blacks are supervised either by whites or blacks?

Mr. DURKA. Or other blacks, yes.

PERCENTAGE WAGE INCREASES FOR BLACKS; WHITES

Senator CLARK. With regard to wages, you mentioned the percentage wage increase for blacks has been greater than for whites. Has the actual wage gap between the average wage paid a black and the average wage paid a white decreased or increased? There are a couple of ways of looking at this. One is the way in which you have looked at it, namely, have blacks gotten more increases than whites. You say in your case they certainly have, you have given them more wage increases. But has the gap between the two lessened as a result of that or increased?

Mr. DURKA. I don't know what the arithmetic comparison would be I can find out.

Senator CLARK. Yes; would you supply that for the record, too?

Mr. DURKA. Yes.

[As of the date of publication, the information referred to had not been supplied.]

GE FRINGE BENEFIT PROGRAM

Senator CLARK. Just a couple more questions. Referring to your fringe benfit program, it is unclear to me whether blacks and whites have equal pensions at this time. It seems that they won't until next January, according to the way I read that. Is that about right?

Mr. DURKA. That is correct.

STATE-FUNDED MEDICAL PROGRAM

Senator CLARK. Could you describe the State-funded medical program you mentioned?

Mr. DURKA. No, I cannot.

Senator CLARK. Would you do that for the record, please?

Mr. DURKA. Yes.

[The information referred to followed:]

STATE-FUNDED MEDICAL PROGRAM

(Supplied by General Electric)

Describe State-funded medical programs for black hourly employees.

No monthly or annual membership fee. Employee can go to any clinic or hospital for blacks. Fee to see a doctor is 50 cents. Thereafter, all medicines, X-rays, hospitalization, surgical treatment, and other medical treatment are free. As a result, there has been little interest by black employees in the medical plan offered white employees, which is contributory.

U.S. TAX CREDIT DISCONTINUANCE AFFECT ON GE OPERATIONS

Senator CLARK. What would be the impact of discontinuing U.S. tax credits on General Electric's ability to operate in South Africa?

Mr. DURKA. When you say "impact," Senator, what do you mean?

Senator CLARK. I mean would you be able to continue? One of the considerations obviously that has been considered in this whole matter is whether the United States can continue tax credits to companies that do business in South Africa.

Mr. DURKA. I would like to submit that with the other material, because I am not informed. That would be a calculation that I don't have with me.

[The information referred to follows:]

DISCONTINUANCE OF U.S. TAX CREDITS IMPACT

(Supplied by General Electric)

Would South Africa General Electric Co. Ltd. be able to continue if U.S. tax credits were ended?

Company would be able to continue but ending of U.S. tax credits would be a serious problem.

EXIMBANK RESTRICTIONS IMPACT ON GE

Senator CLARK. Lastly, what has been the impact of the restrictions of Export-Import Bank facilities on General Electric's ability to operate in South Africa and what changes would the company like to see made? Does the fact that Export-Import Bank does not make direct loans affect you, insofar as you know, in terms of doing business in South Africa?

Mr. DURKA. I would like to reserve the right to answer your question for the company subsequently.

[The information referred to follows:]

EXIMBANK'S RESTRICTIONS IMPACT ON GENERAL ELECTRIC

(Supplied by General Electric)

What has been the impact of the restrictions on Export-Import Bank lending operations vis-a-vis South African borrowers on South African General Electric Company's ability to operate?

Impact is on GE export sales, not on local sales by South Africa General Electric Co. Ltd. Continuing impact on GE is difficult to determine because export sales depend on many factors.

Senator CLARK. Fine. Thank you very much. Thank you, gentlemen.

Mr. DURKA. Thank you, Senator.

Senator CLARK. We are going to hear now from the other four witnesses. We will ask all four to come up to the podium. Paul Neuhauser, Governor Jones, Mr. McCreary, and Jennifer Davis. We will proceed in that order.

Mr. Neuhauser of the University of Iowa Law School. Will you proceed in any way you feel appropriate for 10 minutes?

STATEMENT OF PAUL M. NEUHAUSER, UNIVERSITY OF IOWA, COLLEGE OF LAW, IOWA CITY, IOWA

Mr. NEUHAUSER. Thank you, Senator. As you know, my name is Paul Neuhauser and I am from Iowa City, Iowa. I am an attorney and a member of the bars of the States of Iowa and of New York. I formerly practiced law on Wall Street but left some years ago to join the faculty of the college of law at the University of Iowa where I became an assistant professor of law in 1963. I have been a full professor since 1969 and I teach corporations, business planning and securities regulation.

Professionally, I have been a member of the American Bar Association's Committee on Federal Regulation of Securities for approximately the last 10 years and I am a member of the Iowa Bar Association's Committee on Business Law and chairperson of its Subcommittee on State Securities Regulation.

In addition, I have been active in several other areas. For example, I am a member of the governing board of the Episcopal Church in the United States and have served as chairperson of its Committee on Social Responsibility in Investments.

In that connection, since the Episcopal Church is very concerned about the social performance of corporations in which it invests, I have become familiar with the general problem of American corporate investment in South Africa and with the specific activities of many American corporations in that unhappy nation.

I have had extensive meetings in some, but not all, cases representing the Episcopal Church, with the top management of several of these corporations, including General Motors, Mobil Oil, Continental Oil, Phillips Petroleum, and the Gillette Co.

In addition, I have frequently acted as an attorney for shareholders, or groups of shareholders, who have had concerns about the social responsibility of American corporations, including their social responsibility as it pertains to their operations in South Africa.

Although I wish to draw on this background of experience in discussing South Africa with you and the committee, I wish to make it clear that I am not here representing 3 million individual members of the Episcopal Church, such as Gil Jones. I can, however, state that I do speak for the Committee on Social Responsibility in Investment of the Executive Council of the Church, particularly as based upon the recent actions of the General Convention of the Episcopal Church recently held this fall in Minneapolis.

You are all too familiar, I am sure, with the evils of apartheid perpetrated upon the majority population of South Africa by a small white minority and I certainly am not going to burden you with yet another recitation of the horrors of apartheid.

I would, however, like to share with you certain information which has recently come to us concerning the attitude of some of our Christial brothers in South Africa.

As you may know, the Episcopal Church is part of the worldwide Anglican Communion, which includes the Church of England, the

Anglican Church in Canada, the Church of the Province of South Africa, et cetera.

In recent years the Anglican Communion has instituted a practice of consultations whereby leaders of a national church meet for a week or a 10-day period with leaders from other sister churches throughout the world.

UNITED STATES/SOUTH AFRICAN CHURCHES MEETING

Such a consultation took place this past summer in South Africa where some 15 to 20 leaders of the Church of the Province of South Africa hosted representatives of the Church of England, the Episcopal Church, and various other Anglican groups.

As might be expected, one of the major topics of conversation was the role of foreign investment in their land. The black leaders of the Church of South Africa were asked specifically what their views were about foreign, including American, investment in South Africa. Their answer was quite explicit. The black leaders of the Anglican Province of South Africa said not only that American corporations should not expand in South Africa, but that, on the contrary, they should withdraw entirely from South Africa. Now, that is quite in contrast with the position previously held by these leaders in the not-too-distant past.

I have, for example, a letter from Bishop Zulu dated about 2 years ago in which he stressed employment, training programs, permitting unionization of workers and in which he asked for non-discrimination in employment. In this letter Bishop Zulu says, in effect; let us give the American corporations a chance to see whether a reasonable response is forthcoming in these areas, but if, as the years go by, there is no such reasonable response then, withdrawal.

According to his letter, "pressure for withdrawal will not only be necessary but become a moral obligation." Apparently sufficient progress has not been made because now the leaders of the Church of the Province of South Africa are asking American corporations not to expand but, indeed, to withdraw.

U.S. CORPORATIONS WITHDRAWAL SHIFT

What has caused this shift in the thinking of these leaders of our church in South Africa who now call for the withdrawal of foreign investment? Withdrawal, on its face, would seem to be a fairly radical solution and the Church of England, the Episcopal Church in the United States and, indeed, Anglicans throughout the world aren't I suppose, particularly noted for their radicalism.

Indeed, Anglicians, in general, probably are best characterized by the description of the Church of England as the "Tory Party at Prayer." So to call for withdrawal of American investment from South Africa is a startling position for Anglicians to take.

What has moved these black church leaders is not economic radicalism. Rather, it is that they see strong worldwide economic pressure on the incumbent regime as the only hope to avert, and the only alternative to, the bloodbath of civil war.

They recognize that withdrawal would cause hardship to many, many of their own people. But they view that hardship as the lesser

evil and are willing to endure that pain because they see the kind of economic pressure represented by withdrawal as the only possible way of effectively pressuring the present government to alter its policies.

I think that I can assure you that these black church leaders in South Africa did not arrive at this decision lightly. On the contrary, they are most concerned for their people and for the economic hardship which such pressure will have on their own people. But they see this economic pressure from abroad as the only alternative to confiiguration in their nation.

Therefore, they are willing to pay the price of economic hardship for themselves and for their people in order to achieve their freedom. They ask us in this country to be willing to make some minor sacrifices, or at least some short-term sacrifices, by foregoing some immediate profit opportunities which they feel can only be made at their expense.

U.S. EPISCOPAL CHURCH SOUTH AFRICAN RESOLUTION

As you may know, the Episcopal Church recently met in general convention in Minneapolis. You may have heard about such well-publicized matters as the ordination of women to the priesthood and the new prayer book. But you may not have heard that we also passed a resolution concerning South Africa.

It was not as drastic a resolution as our South African brethren might have wished; in part, perhaps, because it was initially drafted prior to the consultation in South Africa which I referred to before and also perhaps because we are the Tory Party at prayer, or the American equivalent thereto.

In this resolution, the Episcopal Church has called on American banks and American corporations to do three things. First of all, to cease selling goods and services to the government of the Republic of South Africa; second, not to expand in South Africa or to increase American investment there. In these two areas it is the feeling of the general convention, reinforced, I believe, by the Church of the Province of South Africa, that there is no balance to be struck, that there is no weighing of pros and cons. The arguments against our economic presence are so strong that under no conditions should there be sales to the government or expansion of American investment.

For those corporations which are not selling to the South African Government and not expanding their investment, the general convention did not go as far as the Church of South Africa would have wanted us to. The General Convention merely asks these companies to consider carefully and to weigh in the balance on the one hand, the good which their presence in South Africa results in, and on the other hand, the harm which their presence causes.

As far as their positive contributions are concerned, the prime one is, of course, employment. You had figures, Senator, earlier about the amount of employment provided by American corporations for South African blacks. It is not great but, nevertheless, there are individuals who are being employed and it is therefore, obvious that some positive contribution is being made.

Senator CLARK. 90,000.

Mr. NEUHAUSER. But against that must be weighed the harm which the participation of American corporations in the economic and social life of that country causes.

The kinds of harm which we have in mind are things such as the strengthening the economy and thereby the strengthening of the power of the incumbent government in the incumbent system; and the transfers of technology to that society and system.

In this connection it might be worthwhile to quote from the managing director of the Burroughs Co.'s South Africa operation. Burroughs, as you know, is a high technology company and a computer company. Their South African managing director has stated:

> We are entirely dependent on the United States. The economy would grind to a halt without access to the computer technology of the West. No bank would function; the government couldn't collect its money and couldn't account for it; business couldn't operate; payrolls could not be paid, retail and wholesale marketing and related services would be disrupted.

It is necesary that in weighing the pros and cons of American operations in South Africa we must weigh not only the jobs which are provided but also the other effects resulting from the presence of American companies in that country.

What the general convention has asked is that if on balance, after these considerations had been weighed, the presence of American corporations, or any given American corporation, does not assist in the struggle for human dignity and freedom, then that company should withdraw from South Africa.

It seems to me that these criteria set forth in the general convention resolution, are appropriate for the corporations which are testifying here this morning. In IBM's case, they should stop selling computers to the South African Government, as is suggested in the first part of the resolution passed by the general convention.

Various church groups and others have in the past urged IBM not to sell computers to the government of South Africa because of the uses: including the possible repressive uses, to which these computers could be put.

It is my understanding that IBM has consistently maintained that it has no moral or other responsibility for the uses to which its computers are put by its customers. I disagree. Thus, by analogy, if one person gives a gun to another, knowing that the latter would use it in an attempt to commit murder, the giver is liable in law, as the giver ought to be. So too the supplier of computers has a responsibility for the use to which its product is put. Such a supplier should not cooperate with repression.

Mr. Chairman, I have a more extensive statement, I would be happy to either continue on at this point or to submit the remainder of the statement for the record.

Senator CLARK. If you can give us your entire statement and any other documentation, we would particularly like the exact resolution that was passed.

Mr. NEUHAUSER. I can procure that for you.

Senator CLARK. And all of that will be made a part of the record at this point as if presented and then we will have some questions.

Mr. NEUHAUSER. Fine, thank you, sir.

[The information referred to follows:]

PREPARED STATEMENT OF PAUL M. NEUHAUSER

Responsibility for the use of its product has been recognized by the other American corporations operating in South Africa. Thus, Polaroid will not sell equipment to the South African government for use in the government's identification (i.e. pass) systems. Polaroid has said: "We have a responsibility for the use of our product. . . . We as a corporation will not sell our products in instances where their use constitutes a potential abridgment of human freedom."

A second example. This past year, a shareholder resolution was submitted to ITT to ban sales of electronic equipment to the police and the military in South Africa. It was withdrawn when ITT wrote to the shareholders assuring them that ITT's South African subsidiary would not bid on military or police procurements.

Finally, Roger Wheeler, vice president of one of I.B.M.'s competitors, Control Data, has stated publically that Control Data "would not provide a computer system for any purpose that abridges human rights and dignity" in South Africa.

In contrast, we understand that in the past IBM bid unsuccessfully on the computer which is used by the government in conjunction with the pass system to control the black population. IBM was also the successful bidder on a computer used in connection with control of the colored population via the "Book of Life".

I understand that, as of 1974, IBM has sold or rented at least 27 computers to the South African government or its agencies. Unlike the other three American corporations quoted above, IBM has refused to establish any criteria in connection with these sales of computers. Its only criteria seems to be that such sales are proper in that they do not violate American laws because they are not covered by the Arms Embargo against South Africa.

Nevertheless, some of these very computers are adaptable to military and police uses. Indeed, I understand that three are used in the Department of Defense; two in the Department of the Interior (police); and one in the Atomic Energy Board.

Furthermore, it should be recalled that a year ago IBM was not granted a license to sell computers for use in a reservations system for the Russian Airlines. Why? Because they were adaptable to repressive uses. What were the systems embargoed to Russia because of their possible uses other than keeping track of reservations? According to the Wall Street Journal, initially IBM wanted to sell Intourist two System 370/Model 158 computers, but they were turned down by the United States government. IBM has sold or leased four such computers to the South African government, including two to the Department of the Interior (i.e. the police) and one to the Department of Defense.

In its proposed sale to Intourist, IBM's fall back position was to sell one 370/Model 158 and one 370/145. This also was rejected by our government. Yet IBM has sold, in addition to the four 370/158's, six 370/Model 145's to the South African government, including two to South African Airways, presumably for reservations.

If IBM, unlike other American corporations, will not accept responsibility for the possible uses of its product and will not establish criteria in its sales, then others will have to do so for IBM. Indeed, IBM has consistently argued that its sales to the South African government are not covered by the Arms Embargo and that "those who wish to enlarge [the embargo] should do so through the political process." I sincerely hope that one result of this hearing will be legislation to expand the Embargo to cover all sales of computers to the South African government.

IBM has admitted "Our presence in some ways does support the government of South Africa." It is time for the Congress to assist IBM in decreasing that support. If IBM cannot or will not control the use of its computers, a ban on the sale of computers to the government of South Africa should be legislated.

As far as Kennecott is concerned, it plans to invest some one-eighth of a billion dollars in its new Richards Bay facility. This is equal to about 10 percent of

American investment in South Africa. It will own about 40 percent of the $290,000,000 project and its principal partner will be an agency of the South African government. Thus, Kennecott will go directly into partnership with the government of South Africa on this project.

It seems a strange time to make such an investment. As a business matter, it seems strange. The Wall Street Journal of September 13, 1976, reported a flight of capital out of South Africa. Businesses are exporting capital via manipulation of transfer pricing and some individuals are taking currency out in suitcases, despite rigorous currency controls. When they get the rands out of South Africa and try to sell them, they can do so only at a 50 percent discount from the quoted value of the rand.

Whatever the business wisdom of Kennecott's decision may be, it does not seem desirable, either morally or in terms of national self interest. Not only to expand, but to expand in direct partnership with the government is clearly wrong. Not only will this expansion fail to meet the criteria set forth in the resolution passed by the General Convention of the Episcopal Church, it does not meet the criteria established by our State Department for corporations investing in South Africa which should, according to the State Department, provide "opportunities for advancement based solely on merit." It does not seem possible that Kennecott will be able to convince its partner, the government of South Africa, to abide by that standard suggested by the State Department.

Will it be possible for Kennecott to provide equal pay, equal job opportunities, and decent living conditions for its black workers? Can they assure us that they will do so? At its 1976 Annual Meeting, Kennecott was asked if they could promise to meet these three goals and they indicated that they could not so promise.

In this connection, it might be noted that at its convention in Boston this past summer the Urban League called on U.S. corporations in South Africa to publicly, declare their opposition to apartheid, to disregard segregation or petty apartheid laws, to demand the legalization of equal pay for black workers and to support equal opportunity in jobs, education and housing programs. Can the South African government's own business partner act in the manner suggested by the Urban League as the only acceptable way for American corporations to act in South Africa?

Incidentally, the Urban League also called for a moratorium on further American investment in South Africa until the government changes its policies.

In examining the question of whether South African affiliates of Kennecott (or of IBM for that matter) can achieve any stated goals of equal pay or equal job opportunity, it is well to note that the American parent may be unable to discover whether its South Africa affiliate has achieved the goals set for it. This is because it is contrary to South African law for a South African company to provide data to people abroad, even if those people are the parent company of the South African subsidiary. Thus, when the Mobil Oil Corporation was accused of breaking American imposed sanctions against trade with Rhodesia because of the activities of Mobil's South African subsidiary, Mobil Oil indicated that they did not believe that they had violated the trade ban with Rhodesia, but added the caveat that they had been prevented by South African law from investing the matter fully!

Before concluding, I would like to address the argument frequently made to the effect that if Kennecott doesn't build the mine, or if IBM doesn't sell the computer to the government, that some other corporation, European, Japanese, or whatever, will do so. I submit that the argument that someone else will do it anyway is not a justification for doing what is wrong. Nor is it a justification for acting contrary to the self-interest of the United States. As an analogy I would refer you to the United Nations Association Policy Panel Study on Arms Control. Incidentally, the vice-chairman of the UNA Policy Panel which produced the report is Cy Vance, a director of IBM. In that report, the notion that if we don't sell armaments to foreign governments that others will do so in our stead is rejected as an insufficient reason for doing the wrong thing.

Finally, I would briefly like to address the question of what is the enlightened self interest of the United States with respect to South Africa. If we hypothesize that southern Africa, including the Republic of South Africa, is in the midst of tremendous change which will result, within a relatively short time, in Black control of all of southern Africa, doesn't it make sense to be not only on the side of freedom, but also on the winning side. Enlightment self-interest dictates that we separate ourselves from the present government of South Africa and

that we cut back, not increase, our investment there and our sales of high-technology products to that government.

Thank you, Mr. Chairman, for the opportunity to appear before this Committee, I am annexing as Appendix A to this statement the resolution concerning South Africa recently passed by the General Convention of the Episcopal Church.

Whereas the Province of South Africa is faced with the continuation of the doctrine of apartheid; now, therefore be it

Resolved, That this General Convention:

1. Commend again the continued witness of the Church of the Province of South Africa in the face of the doctrine and practice of apartheid;

2. Call upon the Government of the United States of America to continue and increase its efforts to persuade the government of the Republic of South Africa to purge itself of its racist laws and practices and to work for a free and democratic society;

3. Urge United States' banks and other businesses:

(*a*) to cease selling goods and services to the government of the Republic of South Africa,

(*b*) not to increase their investments or expand in South Africa under the present circumstances, and

(*c*) to consider carefully both the possible good and the possible harm which their continued presence in South Africa results in and urge such banks and other business to make an honest and careful evaluation of their participation in the economic and social life of that nation and, if after such evaluation, their conclusion is that their presence in South Africa does not, on balance, assist or cannot be made to assist, in the struggle for human dignity and freedom that such banks and businesses be urged to withdraw from South Africa: and

4. Agree that we in this country, who continue to be involved in our own racial crisis and adjustment, should extend the hand of love and encouragement to our fellow Churchmen, and all Christians, and to all the people of good will, in South Africa.

U.S. RECENT COMPUTER SALES TO SOUTH AFRICA

Senator CLARK. Let me say before going on to this question of computers, which you have just raised and which Mr. Jones of IBM will be talking about, and this whole question of high technology; that is, whether, in fact, high technology can be used to support apartheid. We did just this morning call the Department of Commerce to ask them the statistics on the present levels of U.S. corporate sales of computers to South Africa in recent weeks.

In the past 6 months they have approved export licenses for 100 applications for computers valued at $6.2 million. It also has approved applications for reexport of computers worth $400,000 and, interestingly enough, it returned without action two applications for computers valued at $10 million and received one application valued at $3.4 million.

We weren't able this morning to get the exact reasons for why these were turned down, but those have been promised to us and we will put them in the record at this point.

[As of the date of publication, the information referred to had not been supplied.]

Senator CLARK. Obviously there is some interest and concern about granting licenses for computers and for the uses to which they may be put.

We are very pleased to have with us Mr. Gilbert Jones, the vice chairman of IBM in New York State. You may proceed in any way you think appropriate for 10 minutes.

STATEMENT OF GILBERT JONES, VICE CHAIRMAN, IBM, ARMONK, N.Y.

Mr. JONES. Thank you, Senator Clark.

We appreciate the opportunity to join in these hearings, and I hope that our participation will be of assistance to the subcommittee.

At the outset, I would like there to be no doubt on one point—apartheid is a concept completely incompatible with the most fundamental principle of IBM—respect for the individual. We abhor racial discrimination in any form whatsoever.

IBM has, from its inception, been committed to this principle, and it extends to every country in which we operate—including South Africa.

IBM SENIOR MANAGEMENT VISIT TO AFRICA

Through a series of visits by senior management, we have tried to make certain that our policies and practices there are correct and that we are contributing to progress. The most recent of those visits was last February, when IBM Chairman Frank Cary and I headed a group of our senior management on a 2-week trip to Africa.

Our visit took us to the Ivory Coast, Ghana, and Zambia. In each of those countries we discussed South Africa with government leaders. My impression was that they felt our presence in South Africa was helpful to blacks. Our trip concluded in South Africa with an extensive review of conditions there and visits to Cape Town, Durban, Port Elizabeth, Pretoria, KwaZulu, the Transkei and Johannesburg.

As on previous visits there, we met with a wide range of people—black, white, colored and Asian—including our own employees, legislators, government officials, businessmen, a number of homeland leaders, and the United States Embassy—in order to assess the present situation and prospects for the future.

At the conclusion of the trip, I came away with the feeling that substantial change for the better had taken place since my last visit to South Africa in 1972, although, obviously, there is a very long way to go.

Mr. Chairman, there are many aspects about South Africa I would like to address, but I know your particular interests concern IBM's business there in terms of marketing practices, technology, U.S. policies that affect our business, and our personnel policies and programs. Therefore, let me turn to those subjects.

IBM SUBSIDIARY

IBM has been in South Africa for 24 years, and our business there—the marketing and servicing of data processing and office products—is conducted through our subsidiary, IBM South Africa. It is one of many data processing and business equipment suppliers operating in South Africa, including other companies from the United States, Britain, Italy, Japan, the Netherlands, Sweden, Switzerland, and West Germany.

Customers may either lease or purchase our equipment. And as in other countries, independent leasing companies, which purchase equipment from IBM and others and lease it in turn to users, are active in South Africa.

Our subsidiary is headquartered in Johannesburg. IBM South Africa provides less than 1 percent of IBM's total worldwide business, and although we are not one of the major firms in that country, the number of IBM employees in South Africa is 1,457—out of a worldwide population of about 289,000 IBMers. Of our total employment in South Africa, currently only 14 are assignees from the United States or Europe.

As in any other country with an advanced economy, our equipment is used in a variety of ways for many kinds of applications.

IBM PRIVATE SECTOR BUSINESS

Two-thirds of our South African business is derived from the private sector. In the business community, for example, IBM computers are used in such industries as finance by the Johannesburg Stock Exchange; in mining by the Anglo-American Corp.; in banking by the United Building Society; and, in insurance by the South African National Life Assurance Co.

IBM GOVERNMENT SECTOR BUSINESS

The other one-third of our business comes from the government sector—about the same proportion as in most European countries. This sector is made up of local, regional and central entities.

As in the United Kingdom, France and many other countries, South Africa's Government operates nationalized businesses. These include South African Airways, which uses IBM equipment to keep track of seat reservations; South African Railways, which uses our computers for accounting and scheduling; and ESCOM, a large public utility, which uses our systems for accounting and project management in the distribution of electric power.

In most cases, government applications of IBM equipment are what you would expect. Local government uses, for example, include billing and accounting for electricity and water consumption and property taxes.

On the central government level, IBM computers help provide pension and social security payments, collect income taxes, issue drivers' licenses, pay teachers and plan irrigation projects, to name just a few. We serve 7 of 16 universities there, including two black universities—the University of the North and the University of Zululand.

IBM COMPUTER APPLICATION

Questions have been raised, however, about some other applications, involving IBM computers.

For example, inquiries have been made about an IMB computer at the Atomic Energy Board. The System/370 Model 155 installed there is used for administrative applications such as recording and controlling the industrial use of radioactive materials and providing a library and information retrieval function.

U.S. Government approval was required before that equipment could be shipped and approval was granted.

All of IBM's standard commercial data processing equipment up to

and including our medium-size computer System/370 Model 145, is authorized for shipment to South Africa under a distribution license granted by the Commerce Department.

In the case of larger computers—for example, System/370 Model 158 or 168—prior approval from the Department of Commerce's Office of Export Administration is required for every individual shipment to South Africa. Individual licenses for 158's or 168's have been approved for such South African customers as South African Airways, the University of Witwatersrand and the Anglo-American Corp.

U.S./U.N. ARMS EMBARGO

The United Nation's and United States' arms embargoes are two additional and well-known constraints to trade with South Africa. IBM abides by those controls. We do not sell or ship military equipment to South Africa.

IBM EMPLOYEE POLICIES, PROGRAMS

I would like to turn now, Mr. Chairman, to our employee policies and programs there. In recent years, we have made progress in terms of the number of our black employees in IBM South Africa. Black employees represented 4.6 percent of our work force 7 years ago. This summer, 10.4 percent of our employees there—151 people—are black and total nonwhite employees represent 14.1 percent of the work force—or 206 people.

There are two reasons why these figures may appear low. First, IBM is a high technology business in which large numbers of our people—who join us relatively well educated—must still undergo long periods of intensive training and education.

It, therefore, takes time for people to progress into highly skilled jobs. And second, we have virtually no manufacturing in South Africa and, hence, do not employ large numbers of nontechnical or semiskilled people—black or white. Much remains to be done, of course, and we intend to continue our efforts to employ blacks in IBM South Africa.

Jobs held by individual blacks today range from clerks, secretaries and switchboard operators to customer engineers, computer operators and assistant programers.

IBM's salary program is based on fairness to all employees—including equal pay for equal work. We apply that standard throughout the world where we do business—including South Africa.

We also provide the same noncontributory benefits to whites and blacks—paid vacations, holidays, pensions, group life insurance, tuition refund, major medical and hospital coverage. In addition, some special benefits are also given to blacks—100 percent of major medical plan coverage—rather than the usual 80 percent—100 percent of dental costs; home improvement loans at 4 percent annual interest; interest-free high school education loans for employees' children.

As a result of a recent change by the South African Government of its policy in respect to urban black housing, we approved a program which will result in another benefit to blacks—funding for home mortgages for black employees.

IBM, hopefully in cooperation with several other companies, plans to deposit funds in a black bank to be loaned to blacks at lower than normal interest rates to our black employees and those of other participating firms who wish to purchase a home.

BLACKS IN LOW-LEVEL JOBS CAUSE; INCREASED OPPORTUNITIES

When one begins to examine the reasons for the low number of blacks in other than low-level jobs as compared with the whites in South Africa, the prime cause is not hard to find. There is a tremendous unmet need for specialized training and education in that country, which in 1973 graduated barely 400 blacks from college.

IBM has been trying to provide some increased opportunities which will not only assist blacks in gaining a job, but also help to prepare them for future advancement with greater responsibility.

One way we are doing that is through a development center we have established in IBM for intensive training of black employees, leading to professional careers. This year, 13 black employees are in training in that program and at least 57 people have already completed one or more courses.

As far as these hiring, training and benfits programs are concerned, we would like to do even more, but we are constrained by the growth of our business.

In addition to trying to assist employees, we are contributing to a variety of education programs outside IBM South Africa. Last year, our greatest support was given to an urban black training program; to a black girls' school for training secretaries; to more than 100 university and high school scholarships—many for teacher training—and to black, Asian and coloured universities.

There are a number of other opportunities available to provide badly needed vocational training in South Africa. For example, we are supporting the new Chamdor training center for blacks near Johannesburg.

In addition to financial assistance and equipment contributions from us, an IBM employee on a paid leave of absence from the company directs the center which offers training in typing and secretarial skills, welding, salesmanship, and motor equipment repair and maintenance.

We believe we set an example in South Africa—one that could be followed and expanded upon to bring increasing benefits to those who so desperately need them.

CHAMBER OF COMMERCE FORMATION

We can do more—and we will do more. I understand that some thought has been given by the subcommittee about the possibility of American businesses in South Africa joining together to form a chamber of commerce there.

IBM is interested in exploring the establishment of such an organization in South Africa and has already taken part in preliminary discussions with other American companies and with the American chamber here in the United States.

In my view, one of the first priorities for such a group should be the inauguration of new training programs—coupled with an effective ef-

fort that would guarantee all graduates a meaningful job and the prospect of a career.

SUBCOMMITTEE INVITATION TO VISIT IBM SOUTH AFRICA

In closing, Mr. Chairman and members of the subcommittee, if in the course of your review of South Africa, you should decide to make a first hand study of the situation on site there, I would like to invite you to visit IBM South Africa.

Senator CLARK. Let me say I will accept that invitation.

Mr. JONES. Thank you, sir.

[Mr. Jones' prepared statement follows:]

PREPARED STATEMENT OF GILBERT E. JONES

Mr. Chairman and members of the subcommittee, in view of events in southern Africa this past year and those especially during the past few months, your hearings come at a time of particular importance. We appreciate the opportunity to join in these hearings, and I hope that our participation will be of assistance to the subcommittee.

The issues involved in South Africa are extremely complicated, as the members of this subcommittee are well aware. Their complexity has been shown again in the testimony in these hearings, and unfortunately, there are no quick answers or easy solutions.

But on one point, I'd like there to be no doubt—apartheid is a concept completely incompatible with the most fundamental principle of IBM—respect for the individual. We abhor racial discrimination in any form whatsoever.

IBM has, from its inception, been committed to this principle, and it extends to every country in which we operate—including South Africa.

In recent years, we have devoted a great deal of top management attention to that country. Through a series of visits by senior management, we have tried to make certain that our policies and practices are correct and that we are contributing to progress. The most recent of those visits was last February, when IBM Chairman Frank Cary and I headed a group of our senior management on a two-week trip to Africa.

Our visit took us to the Ivory Coast, Ghana, and Zambia. In each of those countries we discussed South Africa with government leaders. My impression was that they felt our presence in South Africa was helpful to blacks. Our trip concluded in South Africa with an extensive review of conditions there and visits to Cape Town, Durban, Port Elizabeth, Pretoria, KwaZulu, the Transkei and Johannesburg. As on previous visits there, we met with a wide range of people—black, white, colored and Asian—including our own employees, legislators, government officials, businessmen, a number of homeland leaders, and the U.S. embassy—in order to assess the present situation and prospects for the future.

At the conclusion of the trip, I came away with the feeling that substantial change for the better had taken place since my last visit to South Africa in 1972, although, obviously, there is a very long way to go.

Mr. Chairman, there are many aspects about South Africa I would like to address, but I know your particular interests concern IBM's business there in terms of marketing practices, technology, U. S. policies that affect our business, and our personnel policies and programs. Therefore, let me turn to those subjects.

IBM has been in South Africa for 24 years, and our business there—the marketing and servicing of data processing and office products—is conducted through our subsidiary, IBM South Africa. It is one of many data processing and business equipment suppliers operating in South Africa, including other companies from the U.S., Britain, Italy, Japan, the Netherlands, Sweden, Switzerland and West Germany. Customers may either lease or purchase our equipment. And as in other countries, independent leasing companies, which purchase equipment from IBM and others and lease it in turn to users, are active in South Africa.

Our subsidiary is headquartered in Johannesburg. IBM South Africa provides less than one percent of IBM's total worldwide business, and although we are

not one of the major firms in that country, the number of IBM employees in South Africa is 1,457—out of a worldwide population of about 289,000. Of our total employment in South Africa, currently only 14 are assignees from the U. S. or Europe

As in any other country with an advanced economy, our equipment is used in a variety of ways for many kinds of applications.

Two-thirds of our South African business is derived from the private sector. In the business community, for example, IBM computers are used in such industries as finance by the Johannesburg Stock Exchange; in mining by the Anglo-American Corporation; in banking by the United Building Society; and in insurance by the South African National Life Assurance Company.

We also serve a number of major international IBM customers with operations in South Africa, including such American companies as General Motors, Colgate-Palmolive and Kodak, as well as such foreign-based firms as Royal Dutch Shell, Beechams and Volkswagen.

The other one-third of our business comes from the government sector—about the same proportion as in most European countries. This sector is made up of local, regional and central entities.

As in the United Kingdom, France and many other countries, South Africa's government operates nationalized businesses. These include South African Airways, which uses IBM equipment to keep track of seat reservations; South African Railways, which uses our computers for accounting and scheduling; and ESCOM, a large public utility, which uses our systems for accounting and project management in the distribution of electric power.

In most cases, government applications of IBM equipment are what you would expect. Local government uses, for example, include billing and accounting for electricity and water consumption and property taxes. On the central government level, IBM computers help provide pension and social security payments, collect income taxes, issue drivers' licenses, pay teachers and plan irrigation projects, to name a few. We serve seven of sixteen universities there, including two black universities—the University of the North and the University of Zululand.

Questions have been raised, however, about some other applications, involving IBM computers—for example, the Department of Defense. That customer uses standard System/370 Model 158s for applications such as personnel records for members of the army, navy and air force, payrolls, and inventory and logistics control. Similarly, inquiries have been made about an IBM computer at the Atomic Energy Board. The System/370 Model 155 installed there is used for administrative applications such as recording and controlling the industrial uses of radioactive materials and providing a library and information retrieval function.

U.S. Government approval was required before equipment could be shipped to both of these customers, and in both cases approval was granted.

Mr. Chairman, we recognized many years ago that our products could be used in ways possibly inimical to individuals and society. Therefore, we go to great lengths to assure ourselves that our business is in strict compliance with U.S. and local laws. While it is true that in the process of working with a prospective customer we gain some insight into his needs and intended uses of our products, I must point out that once our equipment has been provided, we do not always know when a customer may change his applications to perform entirely different tasks. This is as true in Washington, Chicago and Paris, for example, as it is in Johannesburg.

We have had an on-going dialogue with members of various church organizations about the question of government business. Our view is that the reaction of the government and others would make the step of ending government business tantamount to total withdrawal.

IBM is directly affected by specific U.S. policies in its South African business. All of IBM's standard commercial data processing equipment up to and including our medium-size computer, System/370 Model 145, is authorized for shipment to South Africa under a distribution license granted by the Commerce Department.

In the case of larger computers—for example, System/370 Model 158 or 168—prior approval from the Department of Commerce's Office of Export Administration is required for every individual shipment to South Africa. Individual licenses for 158s or 168s have been approved for such South African customers as South African Airways, the University of Witwatersrand and the Anglo-American Corporation.

The United Nations and U.S. arms embargoes are two additional and well known constraints to trade with South Africa. U.S. arms controls affecting South Africa as well as many other countries are carried out under the U.S. Mutual Securities Act of 1954, which is administered by the State Department. IBM abides by those controls. We do not sell or ship military equipment to South Africa.

There are, of course, a number of other policies affecting trade and investment with South Africa. Let me quickly cover a few of these.

First of all, the tax laws affecting U.S. firms operating in South Africa—the foreign tax credit in particular—apply to all countries in which we operate. They are not incentives. Rather, they simply provide for the avoidance of double taxation. There are no unusual tariffs or non-tariff barriers concerning trade with South Africa. Nor are we aware of any other government incentives or disincentives applying to American business there.

On the other hand, we are well aware that the U.S. Government encourages companies in South Africa to adopt equal opportunity programs. I would like to turn now, Mr. Chairman to our employee policies and programs there.

In recent years, we have made progress in terms of the number of our black employees in IBM South Africa. Seven years ago, black employees represented 4.6 percent of our work force. his summer, 10.4 percent of our employees there—151 people—are black and total non-white employees represent 14.1 percent of the work force—or 206 people. There are two reasons why these figures may appear low. First, IBM is a high technology business in which large numbers of our people—who join us relatively well educated—must still undergo long periods of intensive training and education. It, therefore, takes time for people to progress into highly skilled jobs. And second, we have virtually no manufacturing in South Africa and, hence, do not employ large numbers of non-technical or semi-skilled people—black or white. Much remains to be done, of course, and we intend to continue our efforts to employ blacks there.

Jobs held by individual blacks today range from clerks, secretaries and switchboard operators to customer engineers, computer operators and assistant programmers.

IBM's salary program is based on fairness to all employees—including equal pay for equal work. We apply that standard throughout the world where we do business—including South Africa.

We also provide the same non-contributory benefits to whites and blacks—paid vacations, holidays, pensions, group life insurance, tuition refund, major medical and hospital coverage. In addition, some special benefits are also given to blacks—100 percent of major medical plan coverage (rather than the usual 80 percent) ; 100 percent of dental costs ; home improvement loans at 4 percent annual interest and interest-free high school education loans for employees' children.

As a result of a recent change by the South African government of its policy in respect to urban black housing, we approved a program which will result in another benefit—funding for home mortgages for black employees. IBM, hopefully in cooperation with several other companies, plans to deposit funds in a black bank to be loaned at lower than normal interest rates to our black employees and those other participating firms who wish to purchase a home.

When one begins to examine the reasons for the low number of blacks in other than low-level jobs as compared with the whites in South Africa, the prime cause is not hard to find. The basic reason is the lack of training and educational opportunities for blacks. There is a tremendous unmet need for specialized training in that country, which in 1973 graduated barely 400 blacks from college. IBM has been trying to provide some increased opportunities which will not only assist blacks in gaining a job, but also help to prepare them for future advancement with greater responsibility.

One way we're doing that is through a development center we've established in IBM for intensive training of black employees, leading to professional careers. This year, thirteen black employees are in training in that program and at least 57 people have already completed one or more courses. Upon graduation, some will become computer programmers, others will become customer engineers who install and maintain data processing and office products. Incidently, an important by-product of this program is the opportunity it affords blacks and whites to gain experience in working together.

As far as these hiring, training and benefits programs are concerned, we would like to do even more, but we are constrained by the growth of our business.

In addition to trying to assist employees, we're contributing to a variety of education programs outside IBM South Africa. Last year, our greatest support was given to an urban black training program; to a black girls' school for training secretaries; to a computer-assisted instruction project at a colored high school; to more than a hundred university and high school scholarships—many for teacher training—and to black, Asian and colored universities.

The benefits from these training and educational programs are three-fold: First, they are helping to prepare more blacks for meaningful job opportunities, not just with IBM, but with other companies as well. Second, they directly contribute to an increase in the general socio-economic status of some blacks and other non-whites in South Africa. And, third, these increased opportunities can and do contribute to greater experiences for blacks and whites to work side by side.

There are a number of other opportunities available to provide badly needed vocational training in South Africa. For example, we are supporting the new Chamdor training center for blacks near Johannesburg. In addition to financial assistance and equipment contributions from us, an IBM employee on a paid leave of absence from the company directs the center which offers training in typing and secretarial skills, welding, salesmanship and motor equipment repair and maintenance. Similar efforts by additional American companies could open the door to jobs for even greater numbers of people.

At the outset, I noted that these are complicated issues, and as events have unfolded in recent weeks the urgent need for change has dramatically become apparent.

We believe we set an example in South Africa—one that could be followed and expanded upon to bring increasing benefits to those who so desperately need them—and to help bring about the changes which are so vital for the future.

We can do more—and will do more. And in my remaining time, Mr. Chairman, I would like to briefly touch on an additional effort that my company is considering.

I understand that some thought has been given by the subcommittee about the possibility of American businesses in South Africa joining together to form a chamber of commerce there. Similar groups are active in several countries.

IBM is interested in exploring the establishment of such an organization in South Africa and has already taken part in preliminary discussions with other American companies. I have no doubt that the combined interests and resources of many American companies doing business there could be channeled into programs of greater impact for more people. In my view, one of the first priorities for such a group should be the inauguration of new training programs—coupled with an effective effort that would guarantee all graduates a meaningful job and the prospect of a career. An additional approach to be considered could be a program to help train and upgrade black teachers in South Africa, including the selection of high potential teachers for advanced training.

In closing, Mr. Chairman and members of the subcommittee, if in the course of your review of South Africa you should decide to make a first-hand study of the situation there, I would like to invite you to visit IBM South Africa.

If you were to embark on such a trip and saw for yourselves what we and others are doing, I believe you would agree with us that American business should stay in South Africa and must find new and better ways to make a greater contribution there. The need is urgent and the time is short, but I believe business has a vital role to play.

If there are any questions, I will be happy to answer them.

How IBM Operates Its South African Business

IBM in South Africa

IBM has been in South Africa for 24 years. As of June 30, 1976, we had 1,457 employees there, mostly engaged in the sales and service of data processing equipment, electric typewriters and office copiers—work calling for high skill levels. IBM has no manufacturing operations in South Africa.

EMPLOYMENT

In accordance with IBM's commitment to equal opportunity, we have been working to increase our non-white employment. In 1969 our black South African population totaled 39, at that time 4.6 percent of our work force. As of June 1976, that figure had risen to 151, or 10.4 percent and total non-white employment stands at 14.1 percent. Individual jobs held by blacks range widely; a department manager in a warehouse, customer engineers for office products and customer engineer trainees for data processing equipment, switchboard operators, assistant programmers. Other jobs include computer operators, clerks, data processing systems engineering trainees and typists. Additional detail on employment is shown in Attachment A.

SALARIES

The cornerstone of IBM's salary program is fairness to all employees—including equal pay for equal work. Salary differences for a particular job depend on performance within our merit system, not on racial factors. On the other hand, since most black employees are relatively new in IBM and are more likely to have trainee and entry level jobs, their average pay is lower than the average for our white employees in South Africa. A percentage comparison of salaries between black and white employees is shown in Attachment B.

BENEFITS

Black employees receive all the benefits given white employees—paid vacations, holidays, pensions, group life insurance, tuition refund, stock purchase plan, major medical and hospital coverage. Blacks also receive some special benefits: 100 percent of major medical plan coverage (rather than the usual 80 percent); 100 percent of dental costs; home improvement loans at a 4 percent annual interest rate and interest-free high school education loans for employees' children.

In the summer of 1976, another program was approved—funding for home mortgages for black employees who live in Soweto, near Johannesburg. IBM, hopefully in conjunction with several other companies, plans to deposit funds in a black bank to be loaned at lower than normal interest rates to its black employees and those of other participating firms who wish to purchase a home.

PERSONAL DEVELOPMENT

In a country which had barely 400 black college graduates in 1973, there is an enormous unfilled need for specialized training. IBM has established a development center with a small staff dedicated to training black employees for professional and technical careers. In 1975, we trained 42 black employees—for jobs that include the installation and maintenance of data processing and office product equipment and programming.

WORKING ENVIRONMENT

IBM is everywhere committed to providing a working environment in which all races can work together—and that includes our South African operation. One of our valued IBM traditions is to occasionally hold office dinners—we call them Family Dinners—at which employees and their husbands and wives spend an evening together. Regularly since 1971, such IBM dinners have been held in South Africa and they were mixed—black and white.

CONTRIBUTIONS

As part of our philosophy of corporate citizenship, IBM contributes towards scientific and educational institutions in the countries where we do business. The bulk of our contributions in South Africa since 1972 has been directed to black institutions. In 1975, they totaled $186,000, of which $115,000 went to black beneficiaries.

The largest grants are going to an urban black training program; to the Inanda Seminary for training black secretaries; to a computer-assisted instruction project at St. Barnabas High School and Wits University; to more than a hundred university and high school scholarships and to black, Asian and colored universities.

We are also supporting the new Chamdor training center for blacks, which opened in the fall of 1975 near Johannesburg. An IBM employee on a paid leave from the company, for example, directs the center, which offers training in typing and secretarial skills, welding, salesmanship and motor equipment repair and maintenance.

THE SOUTH AFRICAN MARKET

In South Africa, about two-thirds of data processing equipment is installed with the private sector and one-third with the government. British, German and Italian firms are active in this field, in addition to at least eight other U.S. companies. IBM installations also run approximately two-thirds with the private sector and one-third with the government. As is typical of the industry, applications cover a wide range.

Every sale of IBM equipment to South Africa is in strict compliance with U.S. policies and law. IBM abides by the 1963 U.S. and U.N. embargoes concerning South Africa, and we do not sell or ship military equipment there.

IF IBM WERE TO LEAVE

Suppose IMB were to get out of South Africa. What would such withdrawal mean?

It would mean, first, that our 1,457 people would lose their jobs. As far as IBM's revenues are concerned, our South African subsidiary accounts for less than one percent of our worldwide business.

Second, withdrawal is unlikely to have any effect on racial discrimination or its economic underpinning. All U.S. corporations together have only about 15 percent of foreign investment in South Africa. British companies, with about 58 percent, are major investors. Considering the number of competitors in the computer field, an IBM, or even a U.S. withdrawal from South Africa is unlikely to result in anything more than the substitution of the systems of other manufacturers for those removed.

Third, withdrawal would set a precedent which no thoughtful American should welcome: a precedent of taking foreign policy out of the hands of the government and putting it into the hands of corporations. Critics have called upon IBM and other corporations to take a variety of actions to change the policy of the South African Government: from refusal to sell anything to the government to refusal to sell any South African organization any product which could conceivably strengthen the economy.

For a corporation to underttake any of these actions for political rather than economic motives is to inject itself into the conduct of foreign policy. Critics have every right as citizens to disagree with United States foreign policy toward South Africa, and to work within our political system to change it. But corporations should be free to do business in any country acceptable to the U.S. Government where they can treat their employees fairly and operate profitably.

IBM SUMMARY

IBM believes it should continue to do business in South Africa and to play a role in the development of black employees there. That role is to assist in their education, their employment in dignified and meaningful jobs, their opportunity to advance and to improve their leadership skills. Withdrawal would eliminate our chance as a company to set examples in job opportunity, equal pay for equal work, paid benefits, personal development, and support for education.

IBM can help by continuing to work to create an environment in which Asians, coloreds, black and whites can work side by side with mutual respect and dignity.

IBM cannot and should not attempt to conduct foreign policy; that is the responsibility of the U.S. Government.

There exists an increased opportunity for American companies doing business in South Africa to re-examine their employment practices, to ensure that they provide equal opportunity for all South Africans, white, black, colored or Asian, eliminate discrimination of all kinds and give equal pay for equal performance, without regard to race. IBM is meeting these standards and intends to continue to meet them.

ATTACHMENT A

ANNUAL HEADCOUNT GROWTH FOR NONWHITE EMPLOYEES

	Black		Asian and colored	
	Number	Percent	Number	Percent
Year:				
1969	39	4.6	18	2.1
1970	42	4.2	20	2.0
1971	55	5.3	21	2.0
1972	73	7.4	25	2.5
1973	93	8.5	27	2.5
1974	114	9.3	35	2.8
1975	134	9.7	48	3.5
1976 (June 30)	151	10.4	55	3.7

Comparison of average salaries in representative job levels, IBM South Africa[1]

Level—	*Percentage black to white*
A	102.4
B	94.3
C	106.4
D	93.8
E	99.5
F	86.4
G	90.9
H	100.5
I	86.1
J	87.1

[1] As elsewhere in IBM, each salary level has a low to high range. An individual salary within a level's range depends on several factors, including length of time in the level and performance.

Senator CLARK. Thank you very much. We do plan to go to South Africa in November. I would be very happy to have the oportunity to visit your facilities there. We want to see a number of others as well to try to get a firsthand look at what is happening. We get very different stories. I don't know if one observer is going to make that much difference.

When we talk to South Africans they say American companies generally are no better than we are. And American companies contend that they contribute a great deal to improving the working conditions, and so forth.

So we will have a look at that.

Thank you very much for your statement. We will have questions in a few moments.

Let's go on to Pierce McCreary, president of Quebec Iron & Titanium Corp. a subsidiary of the Kennecott Co. in New York. As I said in my opening statement, we are particularly happy that you are here because we are interested most specifically in your views concerning new investment in South Africa, where we go from here, what the opportunities are viewed to be by your company, what the restrictions are in view of the uprisings—that kind of thing.

We get into that in the question period, but you go ahead in any way you care to proceed.

STATEMENT OF PIERCE N. McCREARY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, QUEBEC IRON & TITANIUM CORP., NEW YORK, N.Y.

Mr. McCREARY. Thank you, Mr. Chairman. At the outset I have to emphasize that Quebec Iron & Titanium (QIT) is, of course, a Canadian company, which has a 39⅓-percent interest in beach sand mining and smelting complex at Richards Bay on the Indian Ocean in South Africa.

Kennecott Copper Corp., of which I am a director, has a two-thirds interest in QIT and Gulf & Western Industries has the remaining one-third or 13 percent.

QIT INVESTMENT BACKGROUND

The events leading up to our investment in South Africa began many years ago with a worldwide search for an ore body from which we could produce a material for the rapidly growing chloride process of the titanium pigment industry. QIT's hard rock ilmenite deposit near the mouth of the St. Lawrence River in Canada is suitable only for the older sulfate process of the titanium pigment industry and it was and is essential that we be able to make a product which can be used in both processes.

Here let me emphasize that when we talk about titanium it has nothing whatsoever to do with the metal. We only make the titanium slag which is sold to the pigment industries. It has nothing to do whatsoever with titanium metal.

Known ilmenite sand deposits exist in many parts of the world, but the only deposits which are available and of sufficient magnitude for QIT's capital intensive smelting process are those in Australia and South Africa and the richest of these are on the Indian Ocean north of Durban in South Africa.

Of these deposits north of Durban, the one we were most interested in was that but a few kilometers north of Richards Bay where the largest bulk deepwater port in all of Africa was being built.

I should add here that finding a mineral deposit right next to a major port is really something which is phenomenal. Normally they are found in tremendously remote and inaccesible and hostile areas.

The rights to this mineral deposit were held jointly by the Industrial Development Corp. [IDC] of South Africa which is chartered by the Government to promote industrial growth, and the Denver, Colo., trustee in bankruptcy of King Resources.

In September 1973, we began talks with the IDC in Johannesburg and in December, in a bidding contest in open court in Denver with D. K. Ludwig's National Bulk Carriers, we acquired the trustee's interest.

The deposit contains large reserves of ilmenite and important quantities of rutile and zircon. Through the unique smelting process of QIT, the ilmenite will be converted into titanium slag and iron. Most importantly, the titanium slag can be used in both the sulfate and the rapidly growing chloride process of the titanium pigment industry which has been an objective of QIT's for many years.

The 34-page brochure which you have covers the history, financing, products, description of the mine and smelter proces, environmental planning, employee practices and the community, and includes pictures of the site and terrain.

As you will see therein, the Industrial Development Corp., in accordance with the spirit of its charter, has now reduced its holding to approximately 20 percent. The Union Corp., a major publicly owned South African mining and finance company, holds approximately 30 percent; and Old Mutual, one of the largest insurance companies in South Africa, holds the remaining 10 percent.

I might add here there was a discussion about the English and the present Afrikaners. It is unique that this project is owned 30 percent by the English and 30 percent by the Afrikaners.

In addition to these partners a very real partner is the KwaZulu Nation from which the major portion of our work force will be drawn and within whose borders our beach sand deposit lies.

At full production we will pay an annual royalty of $3,900,000. As described in the memorandum which you have, this very substantial royalty will inure to the benefit of KwaZulu, irrespective of whether the deposit remains within KwaZulu or becomes state land.

QIT FOREIGN INVESTMENT CONSIDERATIONS

Coming now to the central issue of whether foreign investment and, more particularly, this investment is a good or bad thing for the majority of the South African people, it seems only fair to consult the leader of KwaZulu, the most populous nation within South Africa, with more than 4 million people, KwaZulu's Chief Executive Councillor, M. B. Buthelezi.

Well before the decision was made to proceed with the project, a meeting was held with Chief Buthelezi in his capital at Nongoma, KwaZulu, by one of the three general managers of the Industrial Development Corp., the executive director of the Union Corp. and me.

This was the first time any of us had met the chief. It was an important beginning. It led shortly thereafter to a further meeting with the chief by the president and chief executive officer of Kennecott Copper Corp. and me, again in KwaZula. Earlier this year I was with chief near his capital at Ulundi and was with him 3 weeks ago today in Capetown.

The chief's views are set forth in his letter of January 29 of this year, which you have. That letter still represents his views and he so stated to me after again carefully reading it at our Capetown meeting.

From a humanitarian standpoint, I think the most interesting portions of his letter are the following:

> . . . The whole of KwaZulu and other so-called homelands were by-passed by development scores of years ago. In a way this has complicated the problems of South Africa in that our people have been forced to go to the metropolitan areas in order to earn a living. This is at the root of the migratory labour system, which has destroyed black family, owing to the application of influx control and the pass laws. It would therefore be most regrettable, if opportunities for my people to get jobs at their door steps would not be forthcoming as is envisaged if you do not go ahead with this venture.

. . . We need job opportunities for our people particularly as in this case where they will be able to live with their families and work where the ravages of migratory labour will be avoided.

The work is above ground and in processing facilities which are capital intensive and the most modern in the world. The chief sums it up in his very first sentence when he says:

As we discussed with you when you were in South Africa the KwaZulu Executive Council favor the investment plans of Kennecott in or near KwaZulu.

CURRENT UNREST

As to the current unrest in South Africa, this is deeply disturbing and was one of the principal reasons for my seeking the chief in Capetown. I commented that it appeared unique that there had been no disorders in Durban or in other areas bordering or within KwaZulu.

The chief stated that since the June burning of the administration building in, and the closing of, the University of Zululand near Richards Bay, there had indeed been no disturbances and he modestly credited this to his leadership. At our worksite at Richards Bay there is no unrest and construction is well advanced and on schedule.

The other principal reason for my seeing the chief was to obtain his views on housing for the majority of our workers. Specifically, we discussed accommodations at the existing township in Nseleni, 12 kilometers from our smelter, the newer and rapidly growing township at Ezikhaweni, over 25 kilometers farther away, and the possibility of developing a new site within KwaZulu. The chief stated that his overriding interest was in obtaining family housing and that he had no preference as to its location.

CHIEF BUTHELEZI STATEMENTS

Senator CLARK. Let me ask one question for clarification with regard to Chief Buthelezi. You are describing his statements here simply as the leader of the Zulus or in some broader kind of leadership in South Africa?

Mr. MCCREARY. I am describing statements only in respect or our investment. I point out that he is also the leader, in addition to being the leader which we are talking to because it is from KwaZulu that we will draw the major portion of our work force and it is in KwaZulu in which our deposit lies—I think it is important to note that he happens to be the leader of the most populous nation in all of South Africa.

Senator CLARK. That is right.

Mr. MCCREARY. So I think this is particularly important.

Senator CLARK. So you are describing his views as KwaZulu chief, you are describing his views in the context of your own company's business?

Mr. MCCREARY. There was a book which recently came out, by Ben Temkin, which is a very good book and goes into a great deal of detail. It is entitled, "Gatsha Buthelezi, Zulu Statesman." So he has a broader impact.

Senator CLARK. Broader impact than the Zulus?

Mr. McCreary. I would think so. I would think he does.
Senator Clark. Thank you.

QIT EMPLOYMENT PRACTICES

Mr. McCreary. As to our employment practices, we see the law in South Africa as a floor or minimum standard for labor practices. Our goal is our North American labor policy. We will do our best to be a progressive employer. We don't want to see our operations shut down because of labor turmoil.

We are hard at work with the cooperation of our partners in using the works committee format in a constructive fashion to the end that the works committee members participating in liaison committee meetings have a real input and influence.

As to U.S. policy, I have consulted in Washington with the Assistant Secretary of State for African Affairs, William E. Schaufele, in Pretoria with the U.S. Ambassador, William G. Bowdler, and with the newly appointed Canadian Ambassador, George K. Grande, all of whom express the view that their respective governments neither encourage nor discourage foreign investment in South Africa.

We support this even-handed policy and I would like to close with the same words that Chief Gatsha Buthelezi closed his first meeting with us. He said of our investment, only good can come of it.

Senator Clark. Thank you very much. I want to thank all of you for being so brief and staying within the time limits that we had suggested because it gives us an opportunity now, even though it is a quarter to 12, to have a good number of questions.

Jennifer Davis, Africa Fund, I know that you have spent a good deal of time looking at the whole investment question in South Africa. Ms. Davis, you may proceed in any way you think appropriate.

STATEMENT OF JENNIFER DAVIS, AFRICA FUND, AMERICAN COMMITTEE ON AFRICA, NEW YORK, N.Y.

Ms. Davis. Thank you, Mr. Chairman.

My name is Jennifer Davis, I am research director of the Africa Fund, associated with the American Committee on Africa. I was born and grew up in South Africa, studied, and worked there as an economist. I came to the United States in 1966.

In the brief time available I would like to deal with the major reasons why I and my committee believe that corporate arguments advanced in favor of continued investment do not reflect the real effect of such investment and why such investment should be ended.

This is not a new debate, although the nature of the arguments advanced, particularly from the corporate side has changed in the last 10 years. Initially, and probably most honestly, the corporate stance was—

> We are there because it is profitable—is an expanding market and gives promise of access to an even greater regional market.

Gradually, as protest and pressure from those concerned about racism and exploitation in South Africa, and about the U.S. role in supporting such a system grew, the corporate argument shifted. It

began to include an increasing element of what one might term "do-goodism."

But there is still a deliberate and dangerous tendency to obscure and camouflage the impact that the operation of major U.S. corporations has on the social, political, and economic structure of South African society.

CORPORATION JOB CREATION ADVANTAGES

Corporations stress the positive advantages of the creation of some tens, or hundreds of jobs. They boast of training programs and equal pay, even sometimes of equal opportunity. They use microeconomics to obscure macrotruths.

First, they ignore the fact that the whole structure of the society is carefully designed to prevent generalized equal opportunities for black and white.

Secondly, the corporations deliberately ignore history. The police state was being built at the same time as the new automated refineries and the great factories.

Economic growth and greater control and oppression are not necessarily contradictory, as the history of the last 10 years has shown.

It is worth noting that even the corporate microeconomics is wrong. Black wages have grown in South Africa, but so have white wages and inflation; the wage gap between white and black in absolute terms is still growing.

Figures released by the Institute for Planning Research of the University of Port Elizabeth in May 1976 show that Africans still earn less than the Poverty Datum Line in almost all sectors of the South African economy.

I would like to submit for the record an article on "Prospects for Change of Apartheid and the African Worker," by Dr. Susan Rogers which deals with this in rather great detail.

[As of the date of publication, the information referred to had not been supplied.]

Ms. DAVIS. Third, the corporations consistently underplay the significance of the particular roles that U.S. corporations play within the South African economic and political structure. These are not small, peripheral corporations, creating a few jobs while manufacturing insignificant consumer products with simple machines in the back alleys of the cities.

In fact, significant U.S. corporations in South Africa are the heavyweights, prominent names on Fortune's 500 list. They frequently dominate the sector of the South African economy in which they operate. General Motors, Ford, and Chrysler control 60 percent of the auto market.

They provide a level of the most advanced modern technology which small isolated domestic companies could not afford. They have access to the capital so desperately needed for the continuing expansion of a white-owned, white-controlled, white-benefit-oriented economy.

Fourth, the corporations attempt to veil the very direct cooperative relationship that often exists between them and the South African Government.

Fifth, the corporations refuse to deal with the reality that their continued presence in South Africa requires, for profitable operation, a

constant level of stability and that there are links between the corporations and the U.S. Government which inevitably involve the Government in a similar quest for the maintenance of peace and stability, while the black population of South Africa seeks the total destruction of the system as it now exists.

CONSEQUENCES OF CONTINUED U.S. INVESTMENT

I propose to look very quickly at two concrete examples of U.S. corporate functioning in the oil and computer industries to illustrate some consequences of continued U.S. investment.

First of all, two oil companies, Caltex and Mobil.

As in any industrialized country the oil industry in South Africa is of crucial importance to the economy. Oil is the one major raw material not produced, except synthetically from coal, in South Africa, and the Government exerts considerable control over the oil corporations.

Since 1967, foreign oil companies have been required to: First, make their refineries available for processing crude products from any source, when excess capacity is available; second, ensure that the major proportion of their earnings remained in South Africa for financing of industry expansion; third, be prepared to produce specialized petroleum and oil products required for strategic and other logistical reasons, irrespective of the commercial potential. Major oil importing is totally in the hands of foreign oil corporations.

In 1975, Caltex, a wholly owned subsidiary of Texaco and Standard Oil of California, announced a $134 million expansion of its Capetown [Milnerton] refinery. The new facilities will increase the refinery's capacity to 100,000 barrels of crude a day, double current capacity, and also increase the production of motor and other light fuels from a given volume of crude.

The investment represents a massive increase in U.S. petroleum investment in South Africa and will reportedly give Caltex over two-thirds of the U.S. petroleum stake there.

This new investment provides a major source of capital inflow at a time when the gold price is falling and the balance of payments is being badly squeezed. It will provide significant savings in the importation of crude, as the new processes will increase productivity considerably. It will also strengthen the identification of the company with the interests of South Africa.

Caltex appears to have had a consistently friendly relationship with the South African Government, supplying it with oil for civilian and military purposes. The corporation has, however, refused consistently to answer questions about its military dealing with the South African Government, hiding behind the provisions of the South African Officials Secrets Act.

Further, we have been advised that it would be a crime under South Africa's law were Caltex South Africa to undertake a commitment to not supply petroleum products to the Government of South Africa, whether for use by the South African military or any other branch of the South African Government.

Caltex expansion has not meant a similar expansion in jobs for Africans. New plants and installations tend to be highly sophisticated and automated. Thus between 1962 and 1972, the total number of employees fell from 2,400 and 1,830, the proportion of Africans in the

work force fell from 32 percent to 22 percent, while white employees rose from 56.5 percent to 66 percent.

In a sense Mobil has provided its own indictment of its activities in South Africa in the testimony presented to this committee recently. With an investment of $333 million. Mobile currently controls over 20 percent of the market, has also rcently expanded its refining capacity to 100,000 barrels a day, 60,000 barrels being crude supplied by Mobil from Iran.

Mobile proudly acknowledges the importance of this operation in official South African eyes:

> The government has welcomed up to now the introduction by foreign investors of capital know-how and specialized skills and there are numerous financial incentives which encourage self-sufficiency in local manufacture and the substitution of imports by locally produced items.

As with Caltex, the details of Mobil's military dealings with the government are shrouded behind the Officials Secrets Act. But the crucial importance of oil, and the consequnces of that importance are interestingly clarified in a legal opinion obtained by Mobil South Africa from a legal firm there. The opinion was obtained in response to requests for information arising out of the documents published by the United Church of Christ related to recent Rhodesian sanctions breaking.

According to the legal opinion, under the South African Officials Secrets Act, Mobil officials in South Africa are prevented from disclosing—

> Information about the details of transactions concerning oil in southern Africa . . . such information being sought for disclosure to the Federal authorities—that is, to the United States Government.

The opinion continues:

> The State would in any event be able to tender evidence that such information would be likely to be directly or indirectly useful to an enemy. Oil supplies are the very lifeblood of the army, navy and air force, and information in regard to the sources thereof, refining, storage, reserves and distribution, are of the utmost strategic importance to the State. It can accordingly readily be envisaged that the South African Minister of Defense would allege that disclosure of such information to the Federal authorities is likely to be useful to an enemy.

Thus, United States oil corporations have moved into a position where they can take an active role in supplying the South African Government with strategic materials, such as oil, and protect themselves from disclosing the nature and extent of their activities by invoking the South African Officials Secrets Act and accepting the finding that the U.S. Federal Government can reasonably be defined as "the enemy."

When it is remembered that the main war that the South African Government is engaged in fighting is a war against its black population the enormity of this situation becomes clear.

IBM is in a rather special position in South Africa, in that it does not produce computers there, and thus not an investing corporation in the way the oil or motor corporations are. Yet, because of its unique role in the provision of extremely advanced technology it assumes an importance which cannot be ignored.

At least one-third of all IBM business in South Africa is done directly with the Government. The Department of Defense has IBM

computers, so does the Department of the Interior, which administers all prisons, in which not only political prisoners, but hundreds of thousands of past offenders must be kept track of.

IBM continues to stress that it cannot be breaking the arms embargo because it does not sell arms; but it has sold to South Africa computers in the 360/65 series, and in Thailand the U.S. Air Force used those computers to coordinate bombing missions.

IBM has denied selling computers to operate the pass laws; but it has been reported to have sold computers to Bantu Administration Boards, the local administering agency of the whole hated system of apartheid administration.

During the recent uprisings in South Africa, Bantu Administration Board Offices and the records they contained were amongst the first targets of an angry population. This raises a very serious question of whether, with the help of an IBM computer, such records could have been centrally stored and thus soon be in use again.

To conclude, the Atomic Energy Board also has an IBM computer. This is the Government-controlled agency charged with the responsibility for all atomic/nuclear-related research, including the development of an enriched uranium process.

Excluding the defense capabilities of South Africa, it is important to recognize that the ability to produce enriched uranium, an ability that appears most likely to have involved the use of an IBM computer, will give South Africa an important bargaining tool in its dealing with energy hungry industrialized countries.

Finally, IBM has been playing a critical role in enabling industry to expand rapidly, to deal with its problems of skilled labor shortage by providing an alternative to the human being, the computer.

The computer makes it possible to have rapid economic expansion which again excludes the blacks from the benefits of the use of their country's resources, and reduces the need to concentrate blacks in towns, close to the factories.

Thus, in fact, the computer becomes linked to the whole process of dispossession of the African population.

CONTINUED INVESTMENT COSTS TO AFRICAN PEOPLE

In summary, it appears to us that the costs to the majority of the African people of continued investment in South Africa with its strong support for the current regime far outweighs the benefits.

Many leaders, some now in prison, have made their opposition known. The people are moving swiftly to a new position of intense confrontation with the South African State and are rapidly rejecting the leadership of Bantustan chiefs and others they regard as collaborationists.

In this context, it becomes extremely urgent that there be a total reexamination and an ending of U.S. investment in South Africa.

[Ms. Davis' prepared statement follows:]

PREPARED STATEMENT OF JENNIFER DAVIS

My name is Jennifer Davis, I am Research Director of the Africa Fund, associated with the American Committee on Africa. I was born and grew up in South Africa, studied and worked there as an economist. I came to the United States in 1966.

In the brief time available I would like to deal with the major reasons why I and my Committee believe that U.S. Corporations should not continue to invest in South Africa, despite the strong Corporate contention that their presence in South Africa is in fact a force for peaceful change in that country.

This is not a new debate, altho the nature of the arguments advanced, particularly from the Corporate side has changed in the last 10 years. Initially, and probably most honestly, the Corporate stance was "we are there because it is profitable—is an expanding market and gives promise of access to an even greater regional market".

Gradually, as protest and pressure from those concerned about racism and exploitation in South Africa, and about the U.S. role in supporting such a system mounted, the Corporate argument shifted. It began to include an increasing element of "do-goodism"—making profits was justified because the Corporations were also contributing to general, and particularly black social welfare. Pushing that argument a little further there was the claim that the Corporations were in fact contributing to some usually ill defined "change", which, it was reluctantly conceded, might be necessary.

Few Corporations today seem to feel strong enough to claim profit and direct Corporate economic benefit as their sole justification for investing in or doing business with South Africa. But there is still a deliberate and dangerous tendency to obscure and camouflage the impact that the operation of major U.S. Corporations has on the social, political and economic structure of South African society.

Corporations stress the positive advantages of the creation of some tens, or hundreds of jobs. They boast of training programs and equal pay, even sometimes of equal opportunity. They use micro economics to obscure macro truths. They ignore the fact that the structure of the society is carefully designed to prevent generalized equal opportunities for black and white, while at the same time of course benefitting from the effects of that deliberate design by way of a cheap, intimated labor force. Their claims as reformers never speak of the fact that the system of apartheid in South Africa prevents blacks from acquiring education, prohibits them from organizing effective trade unions, forces them to live in restricted culturally and economically deprived areas, denies them any freedom of movement, only allows black access to factories, towns, cities by special permit, denies them any right to seek alternative and better employment, prevents land-ownership, prohibits black entrepreneurs and black business except in the tiny black Bantustans and specifically prohibits any black from supervising any whites. All this makes a mockery of individual attempts at "equal opportunity employment."

Secondly the Corporations deliberately ignore history. The argument that economic growth and increasing industrialization will automatically create pressures that will inevitably force the whites to allow greater black participation in society has been totally disproved by the last 10 years of South African history. Yet the Corporations and their apologists continue to detect "signs of change."

Intensifying political oppression and land dispossession, the final total exclusion of the Africans from any right to an identification as South Africans by the creation of the Bantustans, all these were products of ten years of unprecedented economic growth. The pressures were there—but they were dealt with by greater control, not by relaxation of control. The police state was being built at the same time as the new automated refineries and the great factories, in the years that U.S. Corporate investment was growing rapidly, sometimes by 20 percent a year.

It is worth noting that even the corporate microeconomics is wrong. Black wages have grown in South Africa, but so have white wages and inflation; the wage gap between white and black in absolute terms is still growing. Figures released by the Institute for Planning Research of the University of Port Elizabeth released in May 1976 show that Africans still earn less than the Poverty Datum Line wage (minimum subsistence) in almost all sectors of the South African economy. The PDL (or Household Subsistence Level, as it is sometimes called) allows for only the barest necessities for an African family of six: it comprises the cost of a rudimentary diet, clothing, fuel, light, washing materials, rent and the transport of the breadwinner to and from work. It makes no provision for any taxes, medical care, education, transport for other members of the family or furniture. The HLS is now approaching R130 ($) in most big

industrial centers. Average wages in manufacturing for the same period were R115 ($), construction R106 ($), motor trade R105 ($). In other words African workers are still, on average, earning well below the poverty datum line. (See Appendix 1, "Prospects for Change, Apartheid and the African Worker" for a detailed analysis of the situation of the African worker.)

Third, the corporations consistently underplay the significance of the particular roles that U.S. corporations play within the South African economic and political structure. These are not small peripheral corporations, creating a few jobs while manufacturing insignificant consumer products with simple machines in the back alleys of the cities. In fact significant U.S. corporations in South Africa are the heavyweights—prominent names on Fortune's 500 list. They frequently dominate the sector of the South African economy in which they operate, (General Motors, Ford, and Chrysler control 60 percent of the auto market). They provide a level of the most advanced modern technology which small isolated domestic companies could not afford. They have access to the capital so desperately needed for the continuing expansion of a white owned, white controlled, white benefit oriented economy.

Fourth, the corporations attempt to veil the very direct cooperative relationship that often exists between them and the South African Government, and the very direct role that they play in the maintenance of the South African state by the provision of strategic materials, technology and technical services to the government.

Fifth, the Corporations refuse to deal with the reality that their continued presence in South Africa requires, for profitable operation, a constant level of stability and that there are links between the corporations and the United States Government which inevitably involve the Government in a similar quest for the maintenance of peace and stability, while the black population of South Africa seeks the total destruction of the system as it now exists.

It might be useful at this point to move from generalizations to a quick examination of the functioning of two types of U.S. Corporations in South Africa.

The Oil Companies: Caltex and Mobil

As in any industrialized country the oil industry in South Africa is of crucial importance to the economy. Oil is the one major raw material not produced (except synthetically, from coal) in S.A. Although oil comprised only 26 percent of South Africa's energy resources at the end of 1973, its importance has been increasing, particularly in the vital transportation sector. In addition oil is an essential raw material for a variety of important industries, including plastics, fertilizers and other petro-chemical products. Recognizing the importance of this industry the South African Government has established a high degree of control over the oil industry. Since 1967 foreign oil companies have been required to: (1) Make their refineries available for processing crude products from any source, when excess capacity is available; (2) ensure that the major proportion of their earning remained in South Africa for financing of industry expansion; (3) be prepared to produce specialized petroleum and oil products required for strategic and other logistical reasons, irrespective of the commercial potential. Major oil importing is totally in the hands of foreign oil corporations.

In 1975 Caltex, a wholly owned subsidiary of Texaco and Standard Oil of California, announced a $134 million expansion of its Capetown (Milnerton) refinery. Scheduled for completion in July 1978 the new facilities will increase the refinery's capacity to 100,000 barrels of crude a day—double current capacity, and also increase the production of motor and other light fuels from a given volume of crude. Major units to be constructed, involving the most advanced forms of available equipment, will be a new distillation plant, catalytic cracking facilities for making gasoline and sulphur removal and recovery facilities. The investment represents a massive increase in U.S. petroleum investment in South Africa and will reportedly give Caltex over two-thirds of the U.S. petroleum stake there.

This new investment serves the interests of South Africa in three ways. It provides a major source of capital inflow at a time when the gold price is falling and the balance of payments is being badly squeezed. It will provide significant savings in the importation of crude—as the new processes will increase productivity considerably. It will also strengthen the identification of the company with the interests of South Africa.

Caltex appears to have had a consistently friendly relationship with the South African Government, supplying it with oil for civilian and military purposes.

The Corporation has however refused to answer questions about its military dealings with the South African Government, hiding behind the provisions of the South African Official Secrets Act. "Further, we have been advised that it would be a crime under South Africa's law were Caltex South Africa to undertake a commitment to not supply petroleum products to the Government of South Africa, whether for use by the South African military or any other branch of the South African Government." (Letter to Father R. Powell of the National Council of Churches, from D Maytum, Standard Oil of California, December 19, 1975.)

In other words involvement in refinery operations by U.S. corporations in South Africa inevitably means supplying the apartheid regime and its armed forces, wherever they may be operating.

Caltex expansion has not meant a similar expansion in jobs for Africans. New plants and installations tend to be highly sophisticated and automated; black workers have been replaced by machines or white, more highly skilled workers. Thus between 1962 and 1972 the number of employees (total) fell from 2400 to 1830, the proportion of Africans in the work force fell from 32 percent to 22 percent, while white employees rose from 56.5 percent to 66 percent. The total number of jobs for blacks in 1972 was 607—the value of Caltex's investment at that time was $100 million. It is worth noting that in addition Caltex employment practices are openly discriminatory. In the letter already cited above Standard Oil said of employment practices: "Caltex South Africa's employment practices are governed by South African laws, and in the event of any conflicts between these laws and EEO practices the company must be guided by the former."

In a sense Mobil has provided its own indictment of its activities in South Africa in the testimony presented to this Committee recently. With an investment of $333 million Mobil currently controls over 20 percent of the market, has also recently expanded its refining capacity to 100,000 barrels a day, 60,000 barrels being crude supplied by Mobil from Iran. Mobil proudly acknowledges the importance of this operation in official South African eyes. "The government has welcomed up to now the introduction by foreign investors of capital knowhow and specialized skills and there are numerous financial incentives which encourage self-sufficiency in local manufacture and substitution of imports by locally produced items."

As with Caltex the details of Mobil's military dealings with the Government are shrouded behind the Official Secrets Act. But the crucial importance of oil, and the consequences of that importance are interestingly clarified in a legal opinion obtained by Mobil South Africa from a legal firm there. The opinion was obtained in response to requests for information arising out of the documents published by the United Church of Christ indicating that Mobil subsidiaries in South Africa were heavily involved in breaking Rhodesian sanctions. According to the legal opinion, under the South African Official Secrets Act Mobil officials in South Africa are prevented from disclosing "information about the details of transactions concerning oil in Southern Africa. . . . such information (being) sought for disclosure to the Federal Authorities." The opinion continues:

"The State would in any event be able to tender evidence that such information would be likely to be directly or indirectly useful to an enemy. Oil supplies are the very lifeblood of the army, navy and airforce, and information in regard to the sources thereof, refining, storage, reserves and distribution, are of the utmost strategic importance to the State. It can accordingly readily be envisaged that the South African Minister of Defence would allege that disclosure of such information to the Federal Authorities is likely to be useful to an enemy." Later, commenting on the likelihood of prosecution if Mobil S.A. communicated any information about the sources, refining, storage, reserves, and distribution of petroleum fuels to Mobil U.S. for use by the Federal Government, the opinion continues to elaborate possible parameters of an offence. To secure a conviction information would have had to be provided about what the Official Secrets Act refers to as a prohibited place, or in relation to a contract made on behalf of the Government. A prohibited place, the opinion explains includes "any work of defence . . . including any place used for keeping munitions of war . . . or for obtaining any . . . oil . . . of use in time of war." The lawyers then continue: "As oil is absolutely vital to enable the army to move, the navy to sail

and the airforce to fly, it is likely that a South African Court would hold that it (oil) falls within the definition of munitions of war."

"Places at which oil is stored by or for the Government and refineries where petroleum products are made under contract with or on behalf of the Government, would be prohibited places as defined."

Thus, U.S. oil corporations have moved into a position where they can take an active role in supplying the South African Government with strategic materials, such as oil, and protect themselves from disclosing the nature and extent of their activities by invoking the South African Official Secrets Act.

When it is remembered that the main war that the South African Government is engaged in fighting is a war against its black population the enormity of this situation becomes clear.

Mobil, in its testimony claims that it conducts its business in South Africa in such a way as to make a "positive contribution to improving the quality of life in that country for its employees of all races." The major concrete example it quotes of the execution of its good intentions is its employment policy. But despite the length of the testimony Mobil avoids giving any clear figures on employment, playing a complex game of combining old obsolete figures with new percentages.

In 1974 Mobil companies in South Africa employed 3,370 people, including 1,244 "non-white personnel." Of those non-whites 94 percent are still in the lowest job categories—tho Mobil prefers to put it the other way round: "While four years ago 2 percent of our black employees were in salary group 6 and above, the beginning level of junior supervisory responsibilities, today 6.4 percent of our black employees are in salary group 6 and above." There are of course no figures for how many whites are in salary group 6 and up! But however one writes it this means that less than 100 black workers have moved out of the bottom categories of employment at Mobil—a poor exchange in terms of "progress" for the strength that is being provided by Mobil to the South African Government.

I.B.M.

I.B.M is in a rather special position in South Africa, in that it does not produce computers there, and is thus not an investing Corporation in the way the Oil or Motor Corporations are. Yet, because of its unique role in the provision of extremely advanced technology it assumes an importance which cannot be ignored.

Having been subjected to considerable criticism for its operation in South Africa I.B.M. has developed a set of answers to critics which illustrates the basis of its operation

1. The Corporation does not make foreign policy; it will go anywhere the U.S. Government allows it to.
2. South Africa is a good market, it makes good business sense to operate there.
3. I.B.M. can provide dignified employment.
4. In addition it likes to argue that it does not reinforce the apartheid system altho it admits that it has not established any consistent set of criteria for determining who it will supply with computers, and also admits that it has no system for monitoring the end use of a computer it supplies.

1974 reports estimated at least 1000 computers in South Africa, 40–70 percent being estimated to be IBM machines; there are 254 known installations, the majority of the wide ranging 360 series.

If it makes good business sense for IBM to operate in South Africa IBM must be satisfying a serious need. Who then are the IBM customers? At least one third of all IBM business in South Africa is done directly with the Government. The Department of Defence has IBM Computers, so does the Department of the Interior, which administers all prisons (in which not only political prisoners, but hundreds of thousands of pass offenders must be kept track of). IBM continues to stress that it cannot be breaking the arms embargo because it does not sell arms—but it has sold to South Africa computers in the 360/65 series, and in Thailand the U.S. Air Force used those computers to co-ordinate bombing missions.

IBM has denied selling computers to operate the pass laws; but it has been reported to have sold computers to Bantu Administration Boards—the local administering agency of the whole hated system of apartheid administration. During the recent uprisings in South Africa Bantu Administration Board Offices and the records they contained were amongst the first targets of an angry popu-

lation. Possibly with the help of an IBM computer those records were all centrally stored and will soon be in use again.

Other users include the Council for Scientific and Industrial Research, the Government agency for co-ordinating research in critical and strategic fields, including the operations of the National Institute for Defense Research. Considerable wind tunnel and other military type research has been done under the wing of these agencies, leading to the development of the Crotale missile and other locally produced weapons.

The Atomic Energy Board also has an IBM computer. This is the Government controlled agency charged with the responsibility for all atomic/nuclear related research, including the development of an enriched uranium process. It is impossible to overstress the importance of this type of work in South Africa's struggle to make itself indispensible to the "western" world. The ability to produce enriched uranium, an ability that appears most likely to have involved the use of an IBM computer, will give South Africa an important bargaining tool in its dealing with energy hungry countries.

Time is too short to deal with the various private users—major industrial plants, mines, African Explosives and Chemicals. IBM has been playing a critical role in enabling industry to expand rapidly, to deal with its problems of skilled labor shortage by providing an alternative to the human being—the computer. The process of automation which is so closely linked to the introduction of computers will make it possible for the white power structures to avoid having to train large numbers of skilled black workers, will make it possible to have rapid economic expansion which again excludes the blacks from the benefits of the use of their country's resources, and reduces the need to concentrate blacks in towns, close to the factories. Thus in fact the computer becomes linked to the whole process of dispossession of the blacks.

As in the U.S. I.B.M. in South Africa prides itself on being an "enlightened employer" . . . but out of 1000 workers something over 80 percent are still white. Yet really that is irrelevant. Even if the total 1,000 I.B.M. work force were well paid Africans, doing responsible jobs this could not be said to cancel out the other side of the equation—that by providing technology, knowhow, economic flexibility, IBM is ultimately playing an important role in supporting the apartheid status quo in South Africa.

Senator CLARK. Thank you very much, Ms. Davis.

HEARING PROCEDURE

Let me say that I am going to ask most, if not all, of my direct questions of Mr. Jones and Mr. McCreary. But I will call upon Ms. Davis and Mr. Neuhauser for comments on their comments if they wish to make any.

I don't want to have a debate here, quite frankly, but we would like to have an intelligent discussion from the panel. They have all shown their ability to do that.

I just noticed that a vote has just started so we will adjourn for 6 or 7 minutes and then come back to the questions.

[A recess was taken.]

Senator CLARK. The committee will come to order.

Let me begin by asking Mr. Jones a number of questions and, if Ms. Davis or Mr. Neuhauser, could collect those together and submit them later, rather than commenting on them now.

COMMENDATION OF IBM

I want to say at the outset, Mr. Jones, that with the limited experience and understanding that I have of working conditions in South Africa, I would compliment IBM on its labor practices. Most of my questions are going to be on sales and transfer of technology, and so forth.

It appears that, although you employed, as you said, only a limited number of blacks in the South African operations, that IBM has earned a reputation as an innovative and progressive employer.

I particularly want to compliment you on this new proposal that certainly seems to be a very good one in terms of housing, particularly if South Africa goes ahead, as it has announced, with its proposal to allow either ownership or at least holdings for blacks in South Africa.

I am also pleased that you responded to the suggestion that we made earlier in these hearings, that perhaps American business itself ought to get together and try to establish certain standards for itself.

Assuming there is no government, American businesses, through the chamber of commerce or some other organization, get together and begin to try to look at a higher standard for American business and to look at the problems.

I want to compliment you on all of those points and your willingness to do that and the fact that you have already begun to do it, as you say.

I am going to base most of my questions on one of your quotes. I think it is a good one. I will bring the questioning back to this quotation a few times and ask you if you feel your company is meeting your standard.

In the second paragraph you say, "But on one point, I'd like there to be no doubt—apartheid is a concept completely incompatible with the most fundamental principle of IBM—respect for the individual. We abhor racial discrimination in any form whatsoever. IBM has, from its inception, been committed to this principle, and it extends to every country in which we operate—including South Africa."

BLACK SUPERVISORS OF WHITES

Let me ask the question I have asked every other employer, first of all. Do you have any black supervisors of whites in any of your operations in South Africa?

Mr. JONES. The answer is no, sir, we do not. We look forward to the day when we will have, but we pick our managers by their ability. We have no black who is up to an ability which would make him eligible to manage whites at this time.

Senator CLARK. But you feel you would not have trouble with white employees if you were to put a black in there? You could do it if you had the qualified black?

Mr. JONES. Senator Clark, if a black was qualified, I am sure we could manage it.

Senator CLARK. No American company, so far, ever has to our knowledge. I keep asking, so I am hopeful that you are going to be successful at that.

MICRO-MACRO ARGUMENT

What do you think of this micro-macro argument?

Mr. JONES. I think it is very true.

Senator CLARK. Ms. Davis made it. What about the idea that really we are only affecting IBM in other countries and a half percent of the population but at the same time we may be contributing to the apartheid system itself through these investments or transfer of technology?

What is your judgment on that?

Mr. JONES. My judgment is that the American companies that I know of that are operating in South Africa are setting a leadership example. I had a chance on this last visit to spend a day with Volkswagen.

I believe Volkswagen has become one of the very progressive companies in the same vein that we are. Likewise, I am very familiar with the Barclay's Bank and the Standard Bank and, I believe, they have taken up the leadership. They are leading the way in the same types of employment practice that IBM and others are.

I believe that the whole international community is having a major effect, and I believe that South African companies are picking up that ball on the wage scales and the standard of living. The blacks working for major South African companies are substantially better off today than they were in 1972.

U.S. WAGE RATES, OPPORTUNITY EQUALITY COMPARISON

Senator CLARK. Do you believe that American companies, generally speaking, do a better job in terms of wage rates and equality of opportunity than non-American companies that do business there, foreign and domestic?

Mr. JONES. That is a belief. But if you ask me for facts to prove it, I would have difficulty other than the wage scales of IBM, which I have with me.

Senator CLARK. But it is your general view that they do a better job?

Mr. JONES. Yes, it is my view that they do a better job.

Senator CLARK. It is your argument then that because of these models, even though they only involve—I hope my statistics are right—90,000 out of 70,000,000—1½ percent, that that model is important in terms of changing the whole?

Mr. JONES. The answer, I think, is yes. I think you are a little unfair with your 90,000 because I think the German companies and the British companies are equally contributing to that approach.

I think that the whole international community is putting pressure on the South African companies to do likewise. I believe South African companies are doing likewise.

Senator CLARK. In other words, you see the non-South African companies as being better employers in the sense that we are speaking of it today than South African companies?

Mr. JONES. That is an opinion, not a fact.

Senator CLARK. Yes.

Mr. JONES. I should say that there are a lot of very good South African companies that I know of personally, and I think that they are doing a very good job. I should also say that economic need is forcing South Africa to treat its blacks economically better than they did in the past.

Senator CLARK. That is certainly true in an expanding economy. I am sure that it is so true now in a period of recession, where there is less growth. I should think it would be less true, wouldn't it?

Mr. JONES. I can't answer your question. But the jobs available to blacks are substantially more and higher today than they were 4 years ago.

MICRO-MACRO ARGUMENT

Senator CLARK. Actually, the question that I asked you earlier about the micro-macro argument is not quite the one that you responded to—not whether these could be a model for the whole economy but whether, in fact, the contribution that American companies may make to improved living conditions, standard of living is minor compared to the support that this kind of investment gives to the apartheidism itself. I think that is the micro-macro argument.

How do you deal with that in terms of your own view of it? Is it your position that you don't really contribute to these investments to the apartheid system or does it?

Mr. JONES. I don't think we contribute to the apartheidism, definitely not. We pay taxes to the South African Government, but I know of no case or no application of IBM computers which are being used to contribute to the apartheid system.

IBM VIOLATION OF COMPANY POLICY

Senator CLARK. Let us go on to your testimony more specifically and ask about that, because that was the principal reason we wanted to visit with you this morning.

You stated that the company recognized that its products could, and I quote, "be used in ways possibly inimical to individuals and society."

Let us stop there. The company recognizes that its products could, "be used in ways possibly inimical to individuals and society."

If your products are indeed being used in a way that is inimical to individuals and society, then aren't you violating your most important company policy here, where you say respect for the individual is the most important principle of IBM—if they are, you say.

Mr. JONES. Senator Clark, they are not.

Senator CLARK. You are sure that the end uses are not inimical?

Mr. JONES. I am sure that the end uses are not inimical.

Senator CLARK. Then why do you say—let me quote to you and let you have a chance to comment there.

Mr. JONES. I know exactly what you are referring to.

Senator CLARK. You say, "I must point out that once our equipment has been provided, we do not always know when a customer may change his applications to perform entirely different tasks."

Mr. JONES. Let me first state that when you have a computer it is not like buying a car. The end user doesn't just take the car and go away and run it by himself and you don't know where he is going.

When you buy a computer—one of the major reasons you buy a computer is because of the service and IBM support that is behind that computer. So that our systems engineers and our sales representatives are dealing with our customers on a day-to-day basis.

I made the statement that you can't always control the use of the computer because, as both Mr. Neuhauser and Ms. Davis at one time or another have rightly pointed out, it is impossible for IBM to control in the future the uses of an IBM computer.

No. 1, a leasing company can buy a used computer from a purchaser who had it and can then use that computer or sell it for any use that they want to without getting any Government control.

Senator CLARK. Yes.

Mr. JONES. No. 2, a service bureau organization in South Africa in theory could be hired by the South African Government to use its installed computers, which may well be IBM computers, for any kind of application without any control by the IBM Co.

So in that sense, it is impossible for us, as a supplier of computers and data procesing equipment, to guarantee in the future what use those computers will be used for.

Senator CLARK. That is what you mean when you say that?

Mr. JONES. I didn't want to fall into the trap of not making the committee understand that.

Senator CLARK. Let us make sure we understand it. When you say that your products could "be used in ways possibly inimical to individuals and society," you are only talking about the potential, not the real; is that what you are saying?

Mr. JONES. That is correct. But that also is very true in any country you want to name. I will name Brazil. I will name Greece. I will name Chile.

Senator CLARK. Yes.

Mr. JONES. There a lot of places.

Senator CLARK. The Soviet Union, or any other country. Just so we are very sure that we understand, you are saying that the potential for misuse that would be inimical, as you say, "to individuals and society," clearly exist but the reality of the use of these computers, the end use of these computers, is that they have never been misused in this way inimical to individuals and society, that your computers delivered to South Africa and sold to South Africa in reality have never been used in a way which is inimical to individuals and society purposes.

Am I accurate in saying that?

Mr. JONES. Sir, you are, so long as you make sure it says IBM computers.

Senator CLARK. IBM, yes. That is all you are responsible for.

Mr. JONES. Yes. I know of no case where they have been used in the way that you suggest.

Senator CLARK. But that is a bit different, it seems to me, from what you are saying at the outset—you know of no cases. Do you know that there are no cases?

Mr. JONES. I have gone to extremes to make sure there have been no cases.

Senator CLARK. So, you are convinced that there have been no cases?

Mr. JONES. I am convinced that there are no cases.

Senator CLARK. Let me read another statement which substantiates beyond what you have said. I think, even the company's view that the potential danger is there. It is from the 1974 board's annual meeting of your shareholders. The chairman of the board is speaking. He says:

As far as the use of computers by the South African Government is concerned, or the use of computers in society, I think I can safely say today that I know of no use of any IBM computers down there that directly support any part of apartheid. But I wouldn't want any of you to go away comforted by that statement. What I want you to really understand is that there is no way that this company can see to it that people, corporations or governments use computers in any prescribed way. We sell our computers. They become the property of whoever buys them. And they are used in a way in which they want them used. We dont' have any control over the way people apply our computers.

That is from the chairman of the board of IBM.

Mr. JONES. I know him well, Senator Clark. He articulated better, perhaps, than what I have been trying to articulate.

COMPANY POLICY CONCERNING USE OF COMPUTERS AFTER SALE

Senator CLARK. Let's look at the uses of these computers in that light.

By the way, one other clarifying statement which was what I started to ask. As you say the company recognizes that its products "could be used in ways possibly inimical to individuals and society." But you go on to say that the company goes "to great lengths to assure ourselves that our business is in strict compliance with U.S. and local laws."

My question deals with those last words—"to assure ourselves that our business is in strict compliance with U.S. and local laws." This implies that the company has no policy toward it. They simply are in compliance with State and local laws.

Do you have a policy as a company? That is what I wanted you to answer.

Mr. JONES. A policy on what?

Senator CLARK. On the end use of these computers. In other words, it seems to me it could very well comply with local laws, in other words, with South African laws or with the U.S. laws, and still allow these to be used in a way that is inimical to what your desires are.

Mr. JONES. To directly answer your question, we have no set of guidelines or criteria that make us determine whether or not we are going to bid on a particular computer contest. We look at each RFC request to bid individually as it comes in. But you have to remember that we don't ship anything to South Africa without first finding out what the U.S. opinion is of our doing business in South Africa.

Ever since 1963, when I became deeply involved as president of IBM world trade, I have consistently been to both the Commerce Department and the State Department to make sure that what we do in South Africa is in the best interests of the U.S. Government.

Senator CLARK. Not simply the laws?

STATE DEPARTMENT LETTER TO IBM

Mr. JONES. No, sir, the best interest of the U.S. Government. If you were to allow we, I have a letter here which is dated February 10, 1976, from the Assistant Secretary of State for African Affairs, from which I would like to quote. I would also like to submit the total letter to you for the record.

Senator CLARK. Good.

[The information referred to follows:]

ASSISTANT SECRETARY OF STATE,
Washington, D.C., February 10, 1976.

FRANK T. CARY,
Office of the Chairman of the Board, International Business Machines Co., Armonk, N.Y.

DEAR MR. CARY: Thank you for your letter requesting my comments on the direction the U.S. Government would like to see American companies take in their activities in South Africa and on IBM records as an enlightened employer in that country.

The position of the U.S. Government concerning American private investment in South Africa is a reflection of our overall policy toward South Africa. In conformity with our domestic and international interests, the U.S. Government seeks to encourage a peaceful evolution in South Africa from doctrinaire racial policies to ones which will provide the attainment of basic human rights by all of that country's citizens, regardless of race. We are convinced that the racial policies of South Africa cannot be solved through violence or withdrawal but rather through a policy of constructive engagement. Thus, while the U.S. Government neither encourages nor discourages American private investment in South Africa, we do encourage those American companies with investments in that country to adopt enlightened employment practices for all of their employees regardless of race. The adoption of such practices by American firms can help ameliorate the conditions under which at least some black South Africans work and set an example for improvements by other firms.

The Department of State has become increasingly active in its efforts to promote enlightened employment practices among U.S. firms in South Africa. In February 1973 the Department published a paper entitled "Employment Practices of U.S. Firms in South Africa." The paper focused on what was being done and what could be done within the South African legal framework to upgrade employment practices and services for the black, colored and Asian employees of U.S. firms operating in that country and recommended that firms adopt the following general goals:

To pay the "rate for the job" or equal pay for equal work;

To provide adequate pension, insurance and medical benefits;

To provide supplementary educational facilities for employees and their children;

To assist employees and their families to obtain adequate housing;

To provide skills training on a regular basis aimed at higher productivity;

To provide opportunities for advancement based solely on merit.

In September 1974 the Department issued a statement which reiterated these general goals and urged U.S. firms in South Africa to avail themselves of all legal means to improve their channels of communications with the black, colored and Asian workers.

IBM was mentioned by name on several occasions in the 1973 paper as one of the American companies in South Africa that was active in pursuing the above goals. The paper noted that IBM had provided strong leadership in the enlightened employment practices field in South Africa.

It is my understanding that IBM has continued to place a high priority on maintaining its place among the leading enlightened employers in South Africa. To the extent that IBM continues to move ahead in expanding the size, skill level and supervisory expertise of its South African black labor force, and in improving the channels of communication between that labor force and the company management, the company deserves appropriate credit for furthering the enlightened employment practices recommended by the Department of State.

With every good wish,

Sincerely,

WILLIAM E. SCHAUFELE, Jr.

Mr. JONES. He says in there:

DEAR MR. CARY: Thank you for your letter requesting my comments on the direction the U.S. Government would like to see American companies take in their activities in South Africa and on IBM's record as an enlightened employer in that country.

We are convinced that the racial policies of South Africa cannot be solved through violence or withdrawal but rather through a policy of constructive engagement. Thus, while the U.S. Government neither encourages nor discourages American private investment in South Africa, we do encourage those American companies with investments in that country to adopt enlightened employment practices for all of their employees regardless of race. The adoption of such practices by American firms can help ameliorate the conditions under which at least some black South Africans work and set an example for improvements by other firms.

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Second, the Departments of State and Commerce have, as their major criteria for giving a license to export computers to South Africa, or for that matter, other countries, the end user and the use that the end user is going to make of the data processing system. It will not issue a license unless it is, in its judgment, in the best interest of the U.S. Government.

We have never had a request for a license refused for South Africa. I feel certain that there is no instance that they have felt that we have been trying to skirt around the government policy or trying in any way to circumvent the arms embargo or anything else.

Senator CLARK. It seems to me that your letter substantiates what I said at the very outset of the questioning, that your labor practices and your wage rates, and so forth, have been exemplary as compared to other employers. Isn't that the thrust of the letter?

Mr. JONES. That is the thrust of the letter, but I intended to also indicate to the committee that, on any application of large computers that we are considering bidding on in South Africa, we go down to the State Department and the Commerce Department and discuss what we are doing so that they will either give us their opinion to go ahead or not to go ahead. I know of no case where that opinion has not been that we are acting in the best interests of the Government of the United States.

IBM COMPUTER APPLICATIONS

Senator CLARK. As you said further, in no case have you applied for a computer to be sold there and been turned down?

Mr. JONES. Or rented there. In no case have we applied for a computer to be sold or leased.

Senator CLARK. The fact that you have not sold or leased a computer or tried to on any occasion when it was turned down, you take the evidence that—I have forgotten how you phrase it——

Mr. JONES. That is correct.

Senator CLARK. That you are not circumventing the law. You have had computer applications refused for other countries, have you not?

Mr. JONES. Yes, we have.

Senator CLARK. In the case of selling computers to interests in the Soviet Union, you have been turn down.

Mr. JONES. Yes. It was originally turned down. It was approved at a recent date in a different configuration and a smaller application.

Senator CLARK. To complete this other point, as I understand what you are saying, you abide by the laws, as you say, of the United States and local South African laws—and that, although you have no specific criteria, no policy as a company, you look at each of these individually and that look will go beyond simply the application of the law. Is

that an accurate representation of what you said?

Mr. JONES. I think that is an accurate representation. We certainly are sensitive to any use of a computer which would be abhorrent to us. We certainly would scrutinize that in great detail.

Senator CLARK. As you say, apartheid is completely incompatible with the most fundamental principles of IBM. So you might have to go beyond the law to actually be sure that was being implemented. We also established, so we understand each other, that IBM could not control the end use of these computers.

Mr. JONES. That is correct.

Senator CLARK. In most cases, but you have been very scrupulous in watching what the end use has been and that you found in each case to your satisfaction that they have not been used in a way that is inimical to respect for the individual.

Mr. JONES. That is right. Ms. Davis in her testimony mentioned several installations which she felt did not agree with that statement that I made. For example, she mentioned the prisons. We do have a small card-operated data processing equipment in the prison system which is used for payroll. We believe that is a standard application and it has nothing to do with apartheid. Likewise, she mentioned defense. We do have administrative uses for defense. We also have maintenance applications. We also have budgets. We also have inventory control. All of those are standard accounting type and administrative type applications. I don't believe that by any stretch of the imagination you could call them military uses.

She also mentioned the Bantu administration. I know of no application of IBM computers in the Bantu administration although we do have computers in two black universities where the Bantu administration has to approve their use.

SADD, AEB USE OF IBM COMPUTERS

Senator CLARK. Getting back to the questioning—and I will give Miss Davis an opportunity to respond later—in your testimony you cite uses to which the South African Defense Department [SADD] and the Atomic Energy Board [AEB] are putting IBM computers. Couldn't they possibly be serving other more security-oriented functions as well?

Mr. JONES. You are working from a different text than I am. You are working from the longer text.

Senator CLARK. Yes.

Mr. JONES. And not the shorter text. Unfortunately, I feel naked. I don't have it. Yes; I have it.

Senator CLARK. I am not quoting actually anyway. I am paraphrasing it.

Mr. JONES. I have it right now. The answer is if the Department of Defense wanted to change its uses, its applications of the computer, I am sure that they could change it without any way that the IBM Co., could stop it.

Senator CLARK. But you are convinced that presently they are not being used in any security-oriented function?

Mr. JONES. The answer to that question is "Yes." I hasten to tell you that the computers you are talking about are standard computers.

They are not special-purpose computers, such as are manufactured by our Federal System Division. So, in no way are they special purpose defense-type computers.

Senator CLARK. I understand that. But, as you said a moment ago, they could be used for other purposes.

Mr. JONES. That is correct.

Senator CLARK. But you have been able to followthrough on these and keep track of them, and you are certain that they are not being so used?

Mr. JONES. That is correct.

COMPUTERS FOR PASSBOOK SYSTEM

Senator CLARK. Isn't it true that a few years ago IBM bid on a passbook system?

Mr. JONES. In 1965.

Senator CLARK. Were you to provide the computers for the passbook system?

Mr. JONES. In 1965, we bid on the passbook system and we lost.

RECONCILING IBM BUSINESS INTERESTS WITH COMPANY PRINCIPLES

Senator CLARK. Had you won, how would you have reconciled the fact that apartheid is a concept completely incompatible with the most fundamental principle of IBM—respect for the individual? I can't imagine anything that would be more tangible evidence in the aparthied system than the passbook system. What is your response?

Mr. JONES. Fine. My response is that we believe that as long as we give our employees the same dignity and the same opportunities, black and whites, that we are in a posture that we can continue to operate in a country. The fact that a government can use its computer after it gets it one way or another we don't believe has anything to do with the way that we supply dignity and opportunity to our employees.

Senator CLARK. I agree those are two quite different points. You have agreed and I have agreed and the State Department has agreed that you have a good record in terms of your opportunties for workers. I am talking about something very different. I am talking about your principle, respect for the individual. "We abhor racial discrimination of any form whatsoever."

It seems to me if that is the case, that is the principle you are going to live by, to provide the South African Government with the computers necessary not to enforce but to facilitate the passbook system, to my knowledge, is the most tangible evidence of the apartheid system. A South African cannot travel without a passbook. The largest number of arrests in South Africa are related to people traveling without passbooks. You cannot hold a job without a passbook. You can't do anything without a passbook.

As you know, in traveling in South Africa, if you were to ask any South African what he is most sensitive and most disturbed about in terms of this apartheid system, they would point to their passbook first. How is that compatible with the principle that you have laid down for IBM—respect for the individual?

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Mr. JONES. Sir, I don't want to stand up and defend the passbook system because, like you, I feel the passbook system is definitely a sign of the way they treat whites much better than they do colored, Asians, and blacks.

But if you are going to go in South Africa, it is our feeling that you have to sell to the South African Government. If you don't sell to the South African Government, there is no way that your 1,400 employees are going to stay with you, No. 1. It is beyond me to believe that the South African Government is going to buy your computers and allow you to stay in South Africa if you don't deal with the government.

Senator CLARK. That may very well be, but you don't have to stay in South Africa. If it violates the priciples that your company stands by, those principles may be more valuable to you and more important to you than staying in South Africa, might they not?

Mr. JONES. Sir, the reason we are in South Africa is because, in our business judgment, it is in the best interests of our stockholders and our corporation to be there. In being in South Africa, we support multinational companies who do business with us all over the world.

The General Motors Corp. uses many of the same programs in Port Elizabeth that they use in Detroit. We believe that the business opportunities in South Africa are good and we believe that the U.S. Government has a policy that says that for us to be in South Africa is in the interests of the U.S. Government.

Whether they have apartheid or not is a question which we can say we like or dislike. We are very clear we dislike it. But under the South African Government we are able to treat our blacks with all the dignity that we treat our whites.

Senator CLARK. I understand that.

Mr. JONES. And we are able to tell our customers how we feel about it. We believe that the principles that IBM does business on are reflected in our South African whites as well as our blacks and that the South African whites are in complete harmony with our approach to blacks in South Africa. In that sense we believe we are doing a tremendous amount of good down there.

Senator CLARK. Let me for the third time say I am not talking about your labor practices. I am talking about transfer of technology and whether the transfer of that technology has an end use which supports the apartheid system. You have assured me early in the questioning that you are concerned about the end use, that you are absolutely convinced in following through on that concern that there is no end use of your computers that is inimicable to individuals and society—respect for the individual.

I am trying to cite a specific example where it seems to me that the end use of an IBM computer is indeed to support the apartheid system; namely, the passbook system, the most apparent and tangible evidence of apartheid.

Mr. JONES. No. 1, at the time that the 1965 bid was reflected on by South African management, conditions were entirely different than they are today.

No. 2, if you look at the passbook system as a South African executive would look at it, it parallels the Book of Life system for whites in South Africa.

In other words, if you look at what a white carries around, he has a Book of Life. In it are details about his marriage, his birth, his gun registration, his car registration, a whole lot of statistical information.

A black passbook basically is a similar document. It was put in place by the South African Government to try to control the number of blacks that were coming into South Africa illegally. When you talk to a South African Government official he will tell you that they have 2 million blacks, coming in from Malawi, from Zambia, Botswana, from all the rest of the black countries, who are seeking employment in South Africa because wages for blacks in South Africa are higher than in other places.

Senator CLARK. I understand that.

Mr. JONES. So if you go back to 1965 and try to use today's judgments, it is very difficult for me to sustain that.

In 1965, (a), I wasn't involved in that. I wish I had been, but I wasn't.

Senator CLARK. Do you think if the facts were entirely different you would have had some questions about it or at least knowing what you know now you would have gone ahead with a contract like that?

Mr. JONES. Let me say this, Senator Clark: No matter where we do business, whether it is in the United States or in South Africa or in France or anyplace else, we get any number of requests and customer requests for bids and Government requests for bids and we look at that and we apply business judgment to those bids.

I do not want to say that we have any moral criteria to apply that is outlined. But I do say that there are often cases where we are asked to bid on a job and for business reasons we do not bid.

Senator CLARK. That is fine. It seems to me if one wants to make the argument that we are not operating here on the basis of moral judgments, we are operating strictly on business and wherever that takes us, that is what the business is.

But then it doesn't seem to me at the same time one can say, as you have said,

> But on one point, I'd like there to be no doubt—apartheid is a concept completely incompatible with the most fundamental principle of IBM, respect for the individual. We abhor racial discrimination in any form whatsoever.
>
> IBM has, from its inception, been committed to this principle and it extends to every country in which we operate—including South Africa.

That is a moral judgment, it is not a business judgment, that you impose upon yourself.

Mr. JONES. It is the principle of the IBM company.

Senator CLARK. It is the principle of the IBM Co. which you implement in those countries, as you say, including South Africa.

Mr. JONES. As it applies to our employees in the way we run our business.

Senator CLARK. But not in terms of transfer of technology?

Mr. JONES. I get confused with your statement "transfer of technology."

Senator CLARK. Selling computers to the South African Government.

Mr. JONES. Yes, sir.

Senator CLARK. Does that principle apply in that case, the principle that you have outlined here? Or only to your labor relations?

Mr. JONES. I would say that that principle applies to the way we conduct ourselves in business and the way we treat our employees. When you get down to the specific—does that apply to a particular application—the answer is that we will look at each particular application at the time the bid is requested and make a business judgment whether to bid it or not to bid it.

Senator CLARK. And a moral judgment?

Mr. JONES. A business judgment, Senator Clark, not a moral judgment. We use moral judgments in our business, but I cannot stand here and testify before the committee and say that we have a set of moral criteria that we are going to apply to any bid that comes in.

Senator CLARK. I don't want you to do that. I would just like to be sure that I understand that this principle of IBM is one in which you feel strongly about and are prepared to operate on. It says you operate on it. It says,

> IBM has, from its inception, been committed to this principle and it extends it to every country in which we operate—including South Africa.

I am assuming that that principle—respect for the individual—is an operating principle of IBM in South Africa. That is what it says, isn't it?

Mr. JONES. Senator Clark, it does say that. Let me say that if we had black customers and white customers in a country we would make darned sure we treat the black customers at least as well as the white customers.

In South Africa we treat them better in ways I've indicated. When it comes to a government——

Senator CLARK. Well——

Mr. JONES. Wait a minute. When it comes to a government, when it comes to the U.S. Government or to Chile or Greece or you name the country, we do business with those governments and how they treat the computer after they get it from us is something that we know that we cannot control.

So we know that it is entirely possible—in fact, we know that I am sure it happens, not in South Africa perhaps but elsewhere—the computers are used in ways which, if we were running the government, we certainly would not use them. But there is no way that we can apply a moral judgment to the South African Government or to any other government.

Once we do business with the government, we always run this risk, everywhere we do business—and we are talking about 127 countries—that a computer will be put to a use which the public, the church, or our stockholders may think is inconsistent with our respect for the individual and our desire to treat everybody the same, in race, color and creed, and so forth.

Senator CLARK. Maybe we have a disagreement about whether IBM is prepared to operate on the basis of certain principles that it establishes for itself, certain moral obligations, let me rephrase it another way.

I see here, for example, an advertising that you have: "IBM reports four principles of progress"—those are not business principles there. They are principles which you stamp on, at least I hope you do, that

you believe in, that you are advertising to the American public that you believe in.

These individuals should have access to information about themselves and record-keeping systems. There should be some procedure for individuals to find out how this information is being used. There should be some way for an individual to correct or amend an inaccurate record, and so forth.

I think those are commendable, but I don't quite see what the exact point is here if we are not to assume that IBM operates on the principle of IBM, "respect for the individual."

It says, "it extends to every country in which we operate—including South Africa."

Let me ask you this: You have said that this contract was turned down—quite rightly—it was not accepted; that you didn't win the contract for the passbook system in 1965.

Mr. JONES. Yes.

Senator CLARK. And that was some time ago. Maybe knowing what you know now a different decision would have been made. But, in fact, the computers that are now used and what you are describing long ago is the Book of Life Identification system for all non-Africans—you do indeed have a contract for that; do you not?

Mr. JONES. The answer is yes.

Senator CLARK. And that doesn't just deal with whites?

Mr JONES. Yes, it does.

Senator CLARK. It applies to Asians and people of mixed race, if I am not wrong.

Mr. JONES. I can't answer your question.

Senator CLARK. In other words, this is the passbook.

Mr. JONES. We have an expert in the back of the room.

Senator CLARK. Have him come up.

Mr. JONES. The answer is that is right. It applies to Asians and mixed races and coloreds.

Senator CLARK. So, although you did not get the contract for passbooks for blacks, you do indeed have a contract to provide the computers for passbooks for all others in South Africa.

Mr. JONES. That is right.

Senator CLARK. Do you feel that is in line with your objectives in South Africa, the principle that you have stated, of respect for the individual?

Mr. JONES. Yes. Yes, sir I do. I see nothing wrong in keeping track of drivers licenses, or gun registrations, of birth certificates. We do that in several countries that I can name. If you go to Italy you will find something that is almost identical to the "Book of Life." We do that in Italy.

Senator CLARK. These are very different. If you talk, as I am sure you have, with a colored, a person of a mixed race or an Asian, they have to carry these passbooks. They are arrested if not.

In 1974–75 there were over 1,000 arrests of African people not carrying these passbooks. They are a little different than having a driver's license, aren't they? Your whole basis of life is based upon that passbook—the ability to get a job, the ability to travel, all aspects of life.

You know it better than I. You have been in South Africa more often than I. Don't you think that is inimical to an individual's liberty, to respect for the individual?

Mr. JONES. Sir, what you are talking about, the application you are talking about that we do is the automobile registration. A man driving an automobile will have it on his person.

Senator CLARK. I am talking about the passbook.

Mr. JONES. You are talking about the black passbook?

Senator CLARK. I am talking about the colored, Asian passbook.

Mr. JONES. The application that we do is exactly the same for all of them—white, colored, or Asian.

Senator CLARK. I know. But it is the implementation through computers of a passbook system for Asians and coloreds that constitutes, incidentally, almost as many as whites in this society. Is that pass system, in your judgment, not inimical to respect for the individual?

Mr. JONES. Up until now everything I have learned about the work that the IBM computer does has in no sense lent itself to oppression, such as the passbook system for blacks that you are talking about.

Senator CLARK. The fact that all of the information and records are kept on IBM computers doesn't contribute to its use?

Mr. JONES. Well, it obviously contributes to keeping track of the things that I mentioned, Senator Clark. But it does not contribute to oppression of those people that carry that "Book of Life."

IBM POLICY STATEMENT

Senator CLARK. In your statement, you say that "ending Government business would be tantamount to total withdrawal." What about your company, IBM, merely making a statement of policy that is similar to the one made by one of your competitors—Control Data—that they will, and I quote from their statement, "refuse to pursue business opportunities whose stated purpose is viewed by us as in conflict with human rights and dignity and would not provide computer systems for any purposes that abridge rights and dignity."

What do you feel about a statement like that for your company?

Mr. JONES. Senator Clark, I can't speak for CDC. But as far as IBM is concerned, I think we would like to be judged by how we operate and our actions, not by statements such as that. I see no need to make such a statement. We have certainly stated time and time again our feelings about race discrimination. And we have stated those feelings to the South African Government as well as to the American public and our stockholders.

Senator CLARK. I think it is fair enough to say that you ought to be judged on what you do and not necessarily what you say.

LIST OF IBM COMPUTERS SOLD, LEASED, RENTED TO GOVERNMENT

The company refers to some of the large computers sold to South Africa—the 370/158 or the 168's. Would it be possible for IBM to provide this committee with a list of the computers that it has sold or leased or rented to the South African Government over the past 3 years?

Mr. JONES. A list of the computers that were sold to the Government in the last 3 years?

Senator CLARK. Or leased over the last 3 years.

Mr. JONES. I see no reason why we couldn't supply you with that.

Senator CLARK. Thank you.

Mr. JONES. The answer is yes. You want to know how many computers we have shipped to the South African Government in the last 3 years?

Senator CLARK. And the customers. We want the customers, of course.

Mr. JONES. As long as the customer information is not proprietary information that will assist our competitors, I see no reason not to do it. But I reserve judgment as to not giving you a list which will tell our competitors from many, many countries where to go to try to get our business. In other words, we don't give out customer lists, but I will certainly supply you with what our shipments to the South African Government have been.

Senator CLARK. You mentioned a couple of your customers in your statement.

Mr. JONES. Definitely. And I have more to mention if you would like to hear them.

Senator CLARK. Good. That is what we would like, whatever you can supply us by way of that information.

[The information referred to follows:]

INTERNATIONAL BUSINESS MACHINES CORP.,
Armonk, N.Y., October 14, 1976.

Hon. RICHARD C. CLARK,
Chairman, Subcommittee on African Affairs, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: During your hearing of September 29, you asked me to provide for the record a list of the government installations in South Africa which have received IBM computers within the past three years. As I mentioned at the hearings, we don't normally release customer lists. I'm sure you can appreciate the competitive disadvantage this could create for us. However, in this special instance and in an effort to cooperate with the subcommittee, we have obtained the necessary approvals of these government customers as we would do normally with any customer, and I am enclosing the information you requested.

You also asked me to comment on an article containing the results of a survey of computers in South Africa published in the November 1974 issue of Management magazine. As far as the figures relating to IBM on the single page I was shown at the hearing are concerned, they appear reasonably accurate as of 1974.

However, as far as competitors are concerned, I would respectfully suggest that the best source for that information is with them. Also, it would be very difficult for me to tell you whether the other details concerning IBM are accurate. We did not participate in the survey, and the data is more than two years old. To try to verify it today would mean having to go back and check its accuracy as of some point prior to November 1974. Moreover, the release of comprehensive customer lists and types of equipment would necessitate customer approval, and as I've previously indictated, providing such listings could place us at a competitive disadvantage with regard to suppliers of data processing equipment, including those from other countries.

For the record, I would also like to take this opportunity to help clear up a possible misunderstanding that occurred during the hearing. On several occasions, the passbook for blacks and the book of life for whites, coloreds and Asians were both referred to as "passbooks."

The book of life is not a passbook. The passbook, as you know, contains different kinds of information and is used primarily for restricting the movement of blacks. Also, it must be carried at all times. We understand, on the other hand that the book of life is an identification document—in fact, one that is described as quite similar to those used in several industrial democracies— for example, Sweden and West Germany. After reviewing this since the hearings, I can find no instance to suggest that the book of life places any restrictions on the movement of whites coloreds or Asians, nor is there any requirement for it to be carried at all times.

I was pleased to learn of your proposed trip to South Africa, and in closing, let me renew my invitation to you to visit our subsidiary there.

Sincerely,

GILBERT E. JONES.

Enclosure.

SOUTH AFRICAN GOVERNMENT CUSTOMERS RECEIVING IBM EQUIPMENT DURING THE PAST THREE YEARS [1]

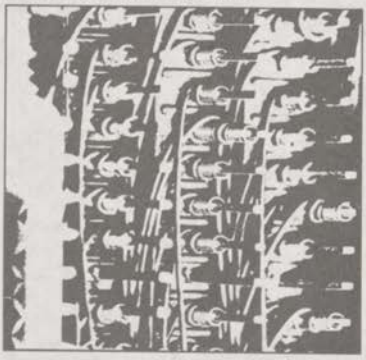
Lebowa Government Service: System/3 model 10.
South African Railways: System/7; 2 System/370 Model 158's.
Bophuthatswana Government Service; System/3 Model 10.
South African Airways: 2 System/7's; System/370 Model 158; System/370 Model 168.
Council for Scientific and Industrial Resarch: System/370 Model 158; System/370 Model 115; System/370 Model 135.
Department of Interior: System/370 Model 158.
Department of Education: System/370 Model 145.
Department of Defense: 3 System/370 Model 158's; 2 System/370 Model 145's.
Department of Pensions: System/370 Model 158.
Department of Inland Revenue: System/370 Model 158.
Public Service Commission: System/370 Model 135.

[1] During the past three years, eight other IBM computers—including System/370's and a System/7—were delivered to and discontinued by government customers.

COMPUTERS: where, what and when

MANAGEMENT November 1974

As in previous years, *Management's* survey of SA computer users doesn't claim to have ferreted out ultimate details of every last installation. But once again, it's the best and most comprehensive guide to the Republic's near-R300m investment in computers



This year's list of SA's computer users is *Management's* latest and (so far) largest. But it still falls far behind recording the Republic's total computer population, which by now must be well over 1 000.

Machine locations have been collated from some 288 replies, and account for around 546 computers. To them has been added information from 73 of last year's respondents, which failed to submit returns this year; however, spot checks indicate the situation for those 73 users to be relatively unchanged from 1973. But lurking somewhere are another 370 or so machines.

The count is most accurate for large installations, which are difficult to hide. In the medium-to-small systems however, the situation is more obscure. There are probably 100 of IBM's System 3 installations in SA; *Management* can winkle out only some 50. Over 60 ICL 2903 machines are installed or on order; 48 locations have been identified.

Locating Computer Advances' Datapoint systems presents an even tougher nut to crack. In SA there are around 285 of 8k and over, of which 90% have 16k and up, and about half are equipped with disk drives — at a guess about R8m worth of equipment. Only 63 locations appear on the tables (see opposite page).

More are known to exist. But some are installed by companies which politely answered the questionnaire in the negative. Presumably the reason is that many firms consider the Datapoint a mere terminal link to a bureau, rather than what it is in fact: a handy-sized computer perfectly capable of use as a stand-alone machine.

Energetic, if occasionally unsuccessful, efforts have been made to locate the larger systems among the Nixdorfs, Digicos, Varians, Novas *et al*; each manufacturer has at least a dozen larger systems with disks installed in SA. But since the lists are incomplete despite dedicated hunting, the exercise of calculating numbers of machines installed, or largest market share by value, can be misleading. But general guidelines can be laid down.

Among the "big seven", IBM still leads with at least 240 machines installed or on order, followed by ICL at the 200-machine mark, and Burroughs and NCR each with around 100. Guessing the value of purchased and rented machines is difficult. But computer consultant Bob Jamieson, estimates that a conservative current figure is around R280m.

A hefty investment, indeed. Big enough, perhaps to make it worthwhile for some authority (the Department of Statistics?) to demand returns from manufacturers, and collate official and accurate figures. After all, it's reckoned the computer industry by 1980 will be the second largest worldwide after chemicals and petroleum.

One figure indicates the enormous growth in computing, especially in data transmission (only six years old in SA). Currently, some 2 700 or so modem, essential to link remote terminals to computers, are in use in the Republic. Eric Wood, the GPO control engineer responsible for data transmission, says present growth rate is around 45% a year.

These sort of figures should make this month's Computer Society's symposium on "Computers and Data Communications" one of the year's most fascinating events for the computer-minded.

Local experts such as SAR&H DP manager Gert van der Veer, Wits University's Prof Derek Henderson, and Eric Woods will be talking about local networks, experience and

developments. And since the Data Communications group of the International Federation for Information Processing (IFIP) is also participating, the symposium will include current thinking on subjects such as a computerised message switching system (where one company's terminal could link through to any other company's terminal to send or receive information) and forward planning on computer usage in countries such as Japan — which has mind-boggling plans for computers in its "information society" of 2000AD.

Several of this year's weightier orders for equipment in SA have been in areas which will need considerable data transmission. Banks and building societies are moving rapidly towards establishing large terminal systems, not merely for branches but in some cases for customers. In turn, these demand bigger central processors to handle the work.

So far IBM has enjoyed the cream of this business. IBM SA MD Jack Clarke claims "changes and lower cost technology are also making possible the use of distributed data-based systems. Not all information gathered at terminals needs to be passed back to the central computer. It can be largely processed locally, on the intelligent terminal. Selective information can then be passed to the central computer of a company with country-wide branches or divisions." Such a system, of course, is ideal for a country such as SA, since its population and industrial centres are widely scattered.

It's also the sort of atmosphere in which the "minis" flourish. IBM's equipment announcements this year include the System 3 model 8, which falls between the existing 6 and 10 machines. Rumoured to have been developed, but as yet unannounced, is a 3285 series, a genuinely mini IBM machine, possibly on the cards for supply in 1975.

Customers looking for powerful minis have a bewildering array to choose from. One recent SA development that could find a lot of orders is the new Syfa system, developed by part of the Computer Advances team that put the Datapoint on the map here.

Convinced that SA and overseas requirements were not being fully satisfied by existing Datapoints, the Syfa group (Ivan Socher, Errol Gold, and Pat Hayes) with collaborators, has developed a system which ranges from 16k to 572k bytes, and is capable of controlling eight, 16 and 24 terminals. It will market at prices from R30 000 to R250 000.

Major "plus" of the Syfa is that many of the kinks in the operating system have been smoothed out by building them into the hardware. Manufactured by Computer Automation in the US under patents from Syfa, the system is a fascinating development. It will be marketed in SA by the Anglo American stable's Computer Advances, along with the existing Datapoint range.

Larger systems have also sold well in 1974. Univac placed further 1106 machines, one each at Atlas Aircraft and the Reserve Bank. But in the latter half of this year, Control Data Corp, thriving on its IBM plug-compatible equipment (around R1,5m installed and hoping to treble its business next year), scored heavily with orders for three Cyber 70/74, one to be jointly owned with Iscor, one for the Department of Transport's Weather Bureau and one an update for Escom.

It's tempting to wonder just where is the market for ICL's new range — the 2970 (from 3/4 megabyte up to 6 megabyte) and the gigantic 2980 (from 1 megabyte to 8 megabyte), comparable in size to the IBM 370/168 machine. But two almost certain customers are Barclays National Bank (about the only bank not announcing plans in the terminals area) and Old Mutual, whose Orion has given sturdy service for a considerable time. Johannesburg City Council is another possible buyer.

Next year, seemingly, has only a handful of spectacular orders to be awarded: Safmarine's system, a SAR&H tender, a CNA installation and one for Wits University, possibly Honeywell. But it should be an interesting year for seeing how 1974's new installations work out in service. □

ALL SA COMPUTER USERS



ALL SA COMPUTER USERS

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Install-ation dates	Current and proposed applications
Atomic Energy Board, Bag 256 Pretoria	CDC 1700				
	IBM 370/165 with 2 I/S, 3 with 2 I/4 Version 6/2G				
*Automated Clearing Bureau Box 61243, Marshalltown	2 B 2700	R		Jul 1973	Automated cheque clearing, magnetic card exchange service
Automotive Products Box 59, Isando	IBM Sys 3 10				
Babcock & Wilcox Box 4341 Johannesburg	ICL 1902				
*K. Baker Arden, Box 1251 Johannesburg	Varian 620/L				Customer backup and development work
Bakers Biscuits Box 59, Isando	IBM Sys 3 10				
*Bank of the Orange Free State Box 18, Bloemfontein		R	ICL 2903	Mar 1975	Debtors, investment and general ledger systems
*Barclays Factors & Barclays Leasing Box 8789, Johannesburg	Datapoint 2200	R	Probably to the 5500 in 1975	Sept 1973	Factoring system, banking system, general ledger, hire purchase system, financial modelling, actuarial computations. **Proposed:** sales forecasting
**Barclays National Bank, Box 1153 Johannesburg	ICL 1903A	R	2 ICL 1904S	1970	Current and savings accounts, gamma ledger cards, travellers cheques, accounting, management by exception reports
	ICL 1904S			1972	
	ICL 1904M Sys 10			1976	Payroll control. **Proposed:** magnetic tape service, stop orders, mono filter credit controllers
	ICL 1903A	R			
*Barlow Rand, Box 4882, Johannesburg	IBM 370/135	R	IBM 370/135 data capture, communi-cation controller, visus, visa printers	April 1973 Sept 1974 75 1976 2nd machine	Debtors, creditors, inventory control, sales analysis, stock transfer administration, payroll, time control, work in progress, workshop control etc. **Proposed:** enhance-ments to current systems, service bureau, control, production control and scheduling systems, financial, and industrial modelling systems, general ledger etc
*Bata shoe SA (Pty) Ltd					
*Bateman, K.L., Box 590, Boksburg North	IBM Sys 3/8	R			Business accounting, use of surplus IBM 360/40 time for business processing
Beacon Sweets & Chocolates Box 51083, Springfield	ICL 1901A				
*Beares Ltd 19 Alexandra St, Durban	IBM 360/20	R		June 1970	Sales journal, creditors, general ledger, operating statements, payroll journal, sales ana-lysis, marketing, stock control. **Proposed:** debtors
*Beckett, The, Box 680, Johannesburg	IBM Sys 3/10	R	—	May 1973	Sales, debtors, stocks, management information systems
	IBM Sys 3/8	R	—	Sept 1974	Data capturing and invoicing
*Beecham SA, Box 61, Isando	ICL 1901A	R	Apex & Axes	Oct 1971	Debtors, daily invoicing, statistical and management reports, production and require-ments planning
*Benoni Town Council PB X1018, Benoni	ICL 1901A	R	—	—	Light and water billing, assessment rate billing, payroll, budget control, stores, costing, etc. **Proposed:** library system, licence and traffic
**Berg River Textiles Box 208, Paarl	IBM Sys 3/10	R	—	Sept 1973	Production statistics, invoicing, debtors, creditors, stocks, payroll. **Proposed:** consumables stores, standard costing
Bertram Bros. 3 Westerf St, Durban	3 Westorf	—	—	—	—
Bibby, J. & Sons (SA) (Pty) Ltd 6 Essex St, Durban	980/55	—	—	—	—
*Bidvest Hotels 3 Kenrick, Box 80, Silverton	ICL 1901A	L	Kienzle 8100	June 1975	Debtors, creditors, wages, private ledger, costing. **Proposed:** debtors, creditors, wages, private ledger, costing and integrated financial accounting
**Bike Computer Services Box 40415, Cape Town	8500	R	—	—	Bureau services
**Bloemfontein Municipality Box 288, Bloemfontein	NCR 315	R	—	Aug 1971	Diaries rates, income and superannuat-ssacies. **Proposed:** water rights, wages scales, sundry debtors, costing
*Boart International Perry Road, Hurlfield, Springs	Datapoint 2200	L	Upgrading	Oct 1973	Billing, sales statistics, debtor's control, general accounts
*Bokker Bakeries Box 458, Pretoria	B 1714	L	—	Jan 1974	Wages, salaries, debtors, sales. **Proposed:** creditors, stock control, fleet maintenance, route scheduling, production planning control, general accounting
Boksburg Municipality, Boksburg	NCR C100	—	—	1974	—
Bophuthatswana Government Private Bag X13, Mmabatho	IBM Sys 3/10	—	—	June 1974	Salaries, education, stores, accounts and personnel
Bowlers Park Creamery, Box 164, Queenstown	NCR C100	—	—	—	—
*Brakfontein Computer Services, Box 8189, Johannesburg	NCR 315	R	Wang	—	Debtors, investments, life rating and accounting, masons, debit orders, statistics, claims. **Proposed:** re-insurance, pensions, share transfer accounting, budgeting, renewals
*Bradlows Stores Box 5412, Johannesburg	IBM 360/20	L	ICL 2903	1975	Debtors, creditors, stock merchandising and financial ledger, sales promotions, statistics mailing list, budget expense, bank reconciliation
*Bredasdorp Town Council Box 15, Bredasdorp	NCR 101	L	—	Nov 1974	Consolidated water, electricity, sanitation and assessment rates. Municipal accounting
Bristol Myers, Box 73508, Johannesburg	Bristol Myers also Standard Telephones & Cables				
*Bristol United Shoe Machinery, Bantam St, Ndabeni Township, Port Elizabeth	IBM 360/20	P	—	—	Stock recording (2 distance suburbs) sales analysis, invoicing, debtors, creditors, wages, salaries, costing, general ledger, seven bureau jobs for group members and others

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Install-ation dates	Current and proposed applications
*Brits Municipality Box 106, Brits	IBM Sys 3/8	R	—	July 1972	Debtors and salaries. **Proposed:** wages, stores, housing, budget control
Bristile Build Dist. Box 1750, Pretoria	ICL 1901	P/L	ICL 2903	—	Inventory accounting, order processing, management control invoicing, sales statistics and analysis
Bruntveer Polyesters, Box 111 Boksburg	IBM 360/20	—	2 ICL 2903	—	For Reef and Cape Town offices
*Bureau of Engineering Computer Services Box 23485, Johannesburg	IBM 1130	R	—	1969	Considering moving into multiprogramming environment
*Burroughs Data Centre Box 3995, Johannesburg	B 4700 B 1700 B 700	—	—	1975	Customer support
Burroughs Wellcome, Box 903 Kempton Park	Singer Sys 10	—	—	—	—
Bus Bodies, Box 8091, Transvleihuis	NCR 500	—	—	—	—
Cadastral Administration Pretoria	Singer Sys 10	—	—	—	—
**Caltex Oil, Box 714, Cape Town	IBM 370/145	P	—	—	Accounts, sales statistics, stock movements, payroll, evaluations, refinery LP, information systems, inventory control, budgetary control, management control. **Proposed:** Expanding management information control, various GR projects
*Cape & Transvaal Printers Cannon St, Parow	28 600	R	—	—	Job costing, sales analysis, payroll, stocks, invoicing, accounts receivable, marketing infor-mation. **Proposed:** fixed asset ledger, nominal ledger and accounts payable
**Cape Gate Group, Box 64, Vanderbijlpark	B 1700	L	—	1974	Marketing and wages, first given
*Cape Provincial Administration Reg 9084, Cape Town	ICL Sys 4/70 Univac 1108	R	—	1973 1974	—
Cape Technical College, Cape Town	NCR C100	—	—	—	—
*Cape Town City Council Box 655, Cape Town	ICL 1903A	L	—	—	Consolidated loan fund, revenue accounts and ledgers, payrolls, pensions and staff records, traffic accident statistics, libraries. Banks, re-serve deposits and refunds clearing, loan re-cords, health statistics, cheque payments and bank reconciliation, orders roll, sundry creditors, cashgram returns, punch room statistics, reticu-lation and property records, workmen's compen-sation, various engineering applications. **Pro-posed:** libraries, stores, mechanical plant recon-ciliation, debtors, sales statistics
*Capital Consumer Bureau, Esperen St, Sunnyside, Pretoria	A 115	—	—	—	Consolidated loan fund, revenue accounts and ledgers, payrolls, pensions and staff records, traffic accident statistics, libraries. Banks, re-servation deposits and refunds clearing, loan re-cords, health statistics, cheque payments and bank reconciliation, orders roll, sundry creditors, cashgram returns, punch room statistics, reticu-lation and property records, workmen's compen-sation, various engineering applications. **Pro-posed:** libraries, stores, mechanical plant recon-ciliation, debtors, sales statistics
Caravans International Durban	NCR C100	—	—	Oct 1969	Stock requirements, costing production, sales analysis, supply control
*Carbonorium Universal, Box 1114 Port Elizabeth	IBM Sys 3/10	L	—	Feb 1974	Debtor, invoicing and statements, sales sum-maries, inter-branch transactions, branch inven-tory, work in progress, budgets, general ledger and trial balance, product costing system, management information system
Castle Wine & Brandy Cape Town	ICL 1902	—	—	Nov 1967	Sales, invoicing, stock control, accounting, budgetary control
*Castol & Lubtec Sales, Box 1922 Johannesburg	Multiflex	—	—	June 1974	On-line ordering, credit control and invoicing
*Castrol, Box 156 Isando	IBM 360/20	L	—	Jul 1974	Invoicing, sales analysis, stock recording, stock control, costing, general ledger, profit con-trol
*Caterpillar Africa, Box 11481 Johannesburg	IBM 360/20	R	IBM Sys 3/10	Jan 1975	Order entry, invoicing, inventory control, inventory in transit, receipts, customs clearing accounts receivable, control, pricing, general ledger
Cementation, Box 1138 Johannesburg	IBM Sys 3/10	—	—	—	—
*Central News Agency, P.O.M. Box 10799, Johannesburg	P.O.M. 2 IBM 360/40	R/L	Tendering/	Sept 1967	Inventory, distribution accounting
*Chamberlain's, Box 7718, Cape Town	IBM Sys 3/10	R	—	Dec 1972	Invoicing, debtors, inventory control, marketing statistics, wages, sales forecasting. **Proposed:** production planning and control, mailing, sales force control, general ledger
Chamber of Mines Box 809, Johannesburg	IBM 360/20	—	—	—	Statistics
Chapelat Hurlingham Box 7847, Johannesburg	H 115 H 2020	— —	— —	1970 1974	Swaziland, Cape Town and Johannesburg
Chemical Services, Box 67000, Johannesburg	Multiflex	—	—	—	—
Christpen & Nielsen, Box 9, Isando	IBM 1130	—	—	—	—
*Chrysler SA, Box 411, Pretoria	IBM 370/135	R	—	Sept 1972	Administrative, marketing, production stock control, engineering. **Proposed:** production sche-duling and financial control
*Cilla Coop, Box 92, Isando	IBM Sys 3/10	R	—	Nov 1973	Accounts payable and receivable, general ledger, invoicing, stock recording, fixed assets, sales reporting, integrated divisional information systems
Ciskei Government, Alice	—	—	ICL 2903	1975	—
*Citizen's Housing League A Lokuveni St, Cape Town	ICL 1900	R	ICL 2903	June 1972 1975	Rent rolls, wages, debtors, salaries, mainte-nance, housing, mail balance, hire agreement accounts. **Proposed:** stock control and cheque printings
Citrus Board Exchange Box 1158, Pretoria	IBM 1130	—	—	—	—
*City Computer Bureau, 41 Chaplin St, Potchefstroom	ICL 1901A	R	2 ICL 2903	Nov 1974 Mar 1975	Wages, salaries, debtors & hire purchase, creditors, stock, general, accounting, integrated package, invoicing, custom-built system, order entry (on-line)
Civil Servants Mutual Ass. Pretoria	ICL 1904	—	—	—	—
Civil Services Medical Ass. Pretoria	Univac	—	—	1974	—

ALL SA COMPUTER USERS

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Install-ation dates	Current and proposed applications
Calgary Farmstore Boksburg	IBM 360/40	—	—	—	Sales analysis, invoices, accounting.
Colonial Mutual Life Assurance Durban	ICL 1901A	—	—	May 1971	Life assurance accounting and calculating.
Colour Processing Laboratories Box 2693, Johannesburg	IBM Box 3/10	X	—	Sept 1971	Debtors, stores and payroll.
*Commercial and Industrial Computer Services, Box 1128, Marshalltown	Univac 1108 2 NCR 315 Varian 620/L	P/L P	disks drum, communica-tions controller, tapes	Oct 1971 Sept 1975	Bureau applications concentrating on real time invoicing.
*Commercial Union Assurance, Box 223, Johannesburg	IBM 370/135	X	—	Aug 1973	General insurance accounts and statistics, life and pensions assurance accounts and valuation, payroll, costing. Debtors, creditors, general ledger, payroll, job costing, direct mailing, general bureau applications for around 250 clients. Both data capture facilities. Bureau facilities, commercial and scientific.
**Compucare Computer Services Bureau, Box 1815, Pretoria	ICL 1901A Nova 1220	L P	—	Dec 1972 Mar 1973	—
*Computer & Specialist Services, Box 81329, Marshalltown	NCR C200	L	—	1969	Medical and share transfer payroll, stock control, time, sheet analyses, project control, debtors, creditors, airline accounting. **Proposed:** where feasible current applications will be converted to run on-line, hire purchase accounting, assistance and programming on request.
*Computer Applications Bureau, Box 9180, Johannesburg	Siemens 4004/45	X	—	Aug 1973	Commercial sales analysis, debtors, creditors, general ledger, stock control, wages, salaries. Scientific, linear programming, engineering applications. Time sharing service and batch bureau work. Ticket reservation system and stockbroking system.
**Computer Sciences Bpths, Box 31497, Braamfontein	Univac 1108 2 IBM 370/165	L/P P	disks and tapes	1971 July 1972	
*Consolidated Diamond Mines of SWA, Box 35, Oranjemund	IBM 370/135	X	IBM 370/145	Nov 1974	Commercial batch reprocessing and operations research. Postage weighing, centralised invoicing, production recording and performance reporting on line). Batch work of payroll, stores, order processing and analysis, sales analyses, standard costing, debtors, stock ledgers, sales forecasting.
*Consolidated Glass Works, Box 582, Germiston	ICL 4-50	L	—	—	
Consolidated Stone Crushers Box 174, Boksburg	NCR C100	—	—	Nov 1971	—
Consolidated Textile Mills Box 17, Jacobs, Natal	ICL 1902A	X	—	July 1970	General ledger, interim accounts, bank stock system, creditors, debtors, factors transfer, stock control, invoicing, order analyses, payroll, share registration, sales accounting, analyses, user-end stock and calculations. Real time inventory system, decentralised accounting system. **Proposed:** customer access, customer list of materials, historical information base.
Continental China Group, Cape Town Control Data Corp. see SA Iron & Steel	ICL 2903	—	—	1974	—
Coopers & Nesbitts, Box 2663 Johannesburg	ICL 1004	—	ICL 2903	—	—
Cotton Drive Estates, Box 100, Schweizer Reneke	IBM 1401	—	Telefunken	—	—
Corn Products, Box 3728, Amalgamated	IBM	X	IBM	Dec 1974	General scientific and engineering applications. (time sharing basis), operations including numerical control, interactive graphics, information retrieval, 1975 applications, computer-aided designs, data banks, development of man-computer terminal systems. Various departments for scientific work.
*Council for Scientific & Industrial Research, Box 395, Pretoria	360/65		370/158		
*Countdown Services, Box 784, Durban	8 Varian 6851 8 Varian 620/L 3 Varian 620/f Varian V-74 Varian V-73 Varian 6201 Varian 5201 ICL 1903A 9 3721	X X	plan terminals	Nov 1968 Sept 1974	Fully integrated accounting and inventory control system for the McCarthy Rodway Group of nearly 200 companies. Mostly batch mode work. **Proposed:** building up to on-line data base and further shares applications.
Cristal-Hoyer Wolpeck, Box 8768 Johannesburg	IBM Box 3/10	—	—	—	—
*Cullinan Holdings, PO Cullinanhoven	ICL 1903	X	—	April 1974	Accounts and inventories.
**Curne Motors, 4 Salisbury St, Johannesburg	ICL 1901	X	2 ICL 2903	1974 1975	Hire purchase, leasing, open accounts, share transfer, orders, airfreight, debtors, furniture hire purchase, stock taking, planning. **Proposed:** creditors, vehicle inventory, sales analyses, billing analyses for subsidiary companies, salaries and wages. Salaries, wages, stores and debtors. **Proposed:** costacounting and machine maintenance.
*Daily News, Box 1491, Durban	ICL 1901A	X	ICL 2903	Jul 1974 May 1975	Sales control, production control, efficiency and stock recording, enquiry system (on-line), invoicing, debtors, wages, cost control.
*Dano Textile Industries, Box 268 Pinetown, Natal	IBM 360/25	X	IBM 370/115	Dec 1974	Payroll, debtors, various types of creditors applications, stock control, work in progress and job costing systems.
*Data Cybernetics, 23 floor, Trust Bank Centre, Cape Town	NCR C-300	L	—	—	—

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Install-ation dates	Current and proposed applications
Data Management Services, Pretoria	Singer Sys 10	P	2 more Sys 10	Jan & Apr 1975	Bureau service.
*Datapan, Box 823 Johannesburg	IBM 360/20	X	IBM 370/115	Dec 1974	Wages, salaries, creditors, debtors, stock, costing, general ledger, address mailing. Port networks.
*Datapton, Box 118, Durban	IBM 1130	L	—	—	Optimisation, debtors, reputation payments, term analysis, engineering calculations, plotting, shortship calculations, land survey calculations and plotting. **Proposed:** stock taking system.
*Datran Management Services, Box 10, Rosslyn	NCR C200	L	—	May 1970	Assembly plant material control, spares inventory control, press shop inventory control, tool room, WIP control, assembly plant vehicle tracking and production invoicing, marketing analyses and statistics, warrants, claims and analysis, sundry creditors, general ledger, sundry debtors, payroll. **Proposed:** production control system for press shop.
David Brown Gears, Box 135, Epping, Cape Town	ICL 2903	—	—	1974	—
*De Beers Consolidated Mines, Box 616, Kimberley	IBM 360/30 Varian 620/L	X	IBM 370/135	Nov 1974	Technical and statistical work, payrolls, stores.
**Deckhouse Fruit Board Box 1298, Cape Town	ICL 1901 ICL 1901A Univac 9480	X	—	Oct 1973	Fruit accounting and handling, payment of farmers. **Proposed:** on-line control of fruit through Cape Town docks.
*Delta Industries, Box 12064, Jacobs, Natal	ICL 1902	X	—	Mar 1971	General commercial, production and marketing oriented systems. **Proposed:** developing to local factory control.
*Delca Data Processing, Box 2013, Durban	IBM 370/135	L	—	1974	All types of business applications.
*De Leeuw, C.P. 331 Barclay Sq. Route Str. Sunnyside, Pretoria	H 155	L	—	1971	All quantity surveying applications including build-economics. 35 applications consisting of 500 programs. Voice grade telephone communications between Bedville (Cape), Durban and Johannesburg branches.
Delmas Kristalraat, Delmas Delmas Milling, Delmas Delfos & Anex Cissie, Box 504, Benoni	IBM 360/20 Datapoint IBM 360/25	— — —	— — —	— — —	— — —
*Department of Agriculture, Rietfontein(orig	IBM 1130	P	HP 21064	Nov 1971	Not given
*Department of Agricultural Credit & Land Tenure, Pretoria	ICL 1902	X			Financial and accounting.
*Department of Agricultural Economics & Marketing, Pretoria	Univac 9200	X			Statistics, research and accounting.
*Department of Agricultural Technical Services, PB 118, Pretoria	B 6700	L	—	Feb 1974	Agricultural research, financial accounting and budgeting, project data communications, stores, agricultural meteorology, statistical analysis, data banks.
*Department of Bantu Administration & Development, Pretoria	ICL 1903?	L		1967	All financial, statistical and accounting procedures, payment of salaries including Department of Bantu Education, maintenance of population register.
*Department of Customs & Excise, Frans Du Toit Building, Schoeman St, Pretoria	ICL 1903	X	—	Nov 1967	Compilation of trade statistics, control of sales duty accounts.
*Department of Defence Pretoria	IBM 360/40 IBM 370/145 IBM 370/158	L L L	—	—	Personnel, financial and stock control.
*Department of Finance Pretoria	IBM Box 3/6	X	—	—	Financial.
*Department of Health Pretoria	IBM Box 3/6	X	—	—	Financial.
*Department of Inland Revenue, Pretoria	IBM 360/40	X	IBM 370/135	Dec 1974	Income tax and bookkeeping.
*Department of the Interior, Curries Building, Andries St, Pretoria	2 IBM 370/158	X	—	May 1971	Compilation of population register, electoral rolls and migration statistics.
*Department of Justice, Pretoria *Department of Labour Pretoria	Nova 1200 Nova 1200 ICL 1901A	L P L	ICL 1902S	Sept 1974	Financial administration and statistical analyses.
*Department of National Education, PB 6123, Pretoria	IBM 370/145	X	—	—	Salaries, research education, bookkeeping. (Community Development and Forestry) research for Council for Human Sciences Research.
*Department of SA Police, Pretoria	ICL 1904S	X	—	—	Bookkeeping, salaries, stores, criminal bureau.
*Department of Posts & Telecommunications Box 2753, Pretoria	ICL 4-50	X	ICL 4-72	1973 Aug 1975	Salaries, stores, telephone and telegraph accounts. COD's, management information systems, trunks, orders, complaints, statistics, missions, transport etc. system.
	Datapoint 2200	P	—	June 1974	Trans celcure linked to Gomes system.
	7 Mohawk 2404	P	—	1972-1974	Off-line printing, data capture and data transmission at 9 600, 19 200, 40 800 bits per second.
	2 Mohawk 2405	P			
*Department of Prisons, Pretoria *Department of Social Welfare & Pensions, Pretoria	IBM 360/20 IBM 360/40	X X	IBM 370/145	Sept 1974	Financial. Salaries, bookkeeping and pensions.
*Department of Statistics, Pretoria	ICL A/72 IBM 360/20	X X	upgrading —	Apr 1968 Dec 1968	Statistics, financial and commercial.
*Department of Transport, PB 8193, Pretoria	IBM 1130 Varian 620/L	L	CDC Cyber 1074	1968 July 1975	Development of weather prediction models, aerological data processing. **Proposed:** numerical weather prediction, compression of prognostic charts as forecasting and analyses of upper air information, quality control of meteorological and geophysical information.

ALL SA COMPUTER USERS

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Installation dates	Current and proposed applications
*Department of Transport (cont)					weather phenomena research; data collection and control of radio network; R&D of national roads; statistical analyses and engineering for Civil Aviation Div; financial, statistical and accounting procedures; road accounting, warrants and maintenance records for MWA and Road Transportation divisions. Engineering and financial.
*Department of Water Affairs, Pretoria	IBM 1130	R	Possible2 Datasonics		
Diamond Research Laboratories, Crown Mines, Johannesburg	IBM 370/115	—	—	—	—
Diamond Trading Corporation, Kimberley	IBM 1130	—	—	—	—
*John Dickinson, Box 109, Isando	ICL 1901A	L	ICL 2903	—	Debtors, creditors, factors calculating statement; finished goods ledger; standard costing; nominal ledger; marketing analysis, inter-branch statements; forward profit planning; distribution cost of sales; invoicing.
* Social Security and Policies *Regional Data Bureau, 4th Floor, Hemingway's Centre, Fortestone, Cape Town	B 3500	R	B 3500	Jan 1974	Order analysis for clothing industry; debtors, creditors; sales analysis; commissions; nominal ledger; hire purchase debtors, rent collection, land administration; stock systems; time sheets; bar stock for hotels; invoicing; medical accounting; mailing; supermarket system; insurance broker systems and short-term insurance.
Sasol One (Pty) Ltd, Box 1124, Johannesburg	ICL 1901A	R	—	May 1968	General accounting; stock control; production control.
Shelldrive Corp, Box 140990, Wadeville	4 Decasonics	—	—	—	—
Division of Sea Fisheries, Cape Town	Varian 620/i	P	—	Feb/Jun 1971	Area access to UCT machine.
Sherman Lang, Box 2997, Johannesburg	Varian 620/i IBM 360/30	—	—	—	—
Shiloh Gas Service, Box 27024, Benmore	NCR 500	—	—	—	—
Shirtmakers(sa), Durban	—	—	ICL 2903	1975	—
Shorts Enact, Bellville, Cape	8700	—	—	—	—
Slugger Clothing Manufacturers, 151 Main St, Johannesburg	Nodin 885/35	—	—	—	Stock, invoicing, debtors, wages and share transfer.
Sonitop SA, Box 2212, Durban	ICL 1902/5	—	—	1974	Production planning, product performance control; information system and management planning.
Dunswart Iron and Steel, Box 290, Benoni	NCR 500	—	—	—	—
*Durban Clothing Manufacturers, Box 33213, Mobeni	ICL 1902A	L	ICL 1901/7	Jun 1975	Invoicing, debtors, statements, wages, salaries, sales statistics and standard costing system. Stock control, production control, work in progress, order analysis and production programming. Proposed: enhancements to production system; diesel enquiries by VDU; creditors, plan and forecast of running requirements, enhancements to work in progress system and change to a data base
Durban Combined Diesel and Carwash (International Durban Corporation, Durban	ICL 1902T	—	—	—	Billing including electricity, rates, telephone, payroll, wages, stock control, income and expenditure analyses. Bureau with various applications.
**Durban Computers, Box 2242, Durban	NCR C200	—	—	—	—
Durlis Clothing, Box 11177, Johannesburg	IBM Sys 3/10	—	—	—	—
*Dunapenta, Box 68, New Germany, Natal	2 Kienzle 6000	R	Kienzle 6100	Jan 1973 Nov 1974	Stock control, invoicing, debtors, general ledger, assets registers, creditors ledger.
*EDP Consulting Centre, Box 352, Gallerigie, Durban	Ambit 8480	R	—	Sept 1974	Debtors, creditors, payrolls, general ledger, management reports, final accounts, stock ledger, statistical analysis, inventory control, material procurement systems, production costing, order analysis, inventory management system (on-line).
East Cape Pharmaceuticals, Cape Town	IBM Sys 3/10	—	—	—	—
*East London Computer Bureau, Box 391, East London	ICL 1901A	R	—	Nov 1968	Debtors, creditors, wages, stock control, invoicing, sales analysis, municipal light and water billing, library cataloguing and circulation, bill of materials and production control.
**East London Municipality, Box 522, East London	ICL 1901A	L	—	April 1971	Costing, salaries, wages, timesheets, housing loans, receipts, cheques, stores, rates and sewerage. Proposed: White and Black housing. Stock time, G-Pac and general ledger.
*East Rand Computer Bureau, Box 162, Wolfield, Tvl, Edales, 440 Victoria Rd, Pietermaritzburg	IBM 360/25 IBM 360/40 ICL 1901	R L —	Upgrading — —	Nov 1974 May 1968	Stock control, invoicing, sales statistics.
Edwards, Box 926, Port Elizabeth	ICL 1902	—	—	—	—
Electricity Supply Commission, Box 1091, Johannesburg	2 CDC 1700 CDC 6600 2 IBM 370/135 IBM 370/145 IBM 370/158 2 IBM Sys 3/10	P L L L L L	CDC Cyber 70/74	1975	Hierarchical system with small machines at sites communicating to main centre, inventory control, work scheduling, bill of materials payroll, plant performance etc.
Electro-Colour Laboratories, Pretoria	Singer Sys 10	R	—	Aug 1972	Orders, scheduling, work overdue, billing, creditors, debtors, stock control, weekly profit and loss account. Chemplan for chemists and Medplan for doctors bureau work.
Electrolux Box 2857, Johannesburg	B 2300	—	—	—	—
*Engineering Computering, 13th Floor, Sanlam Centre, Fortestone, Cape Town	IBM 1130	R	—	—	Computing facilities for civil engineering firms, covering structural, road, hydraulic and soil engineering with graph plotting where required. Not given.
*Esso Standard, Box 4442, Johannesburg	H 200/1	R	—	Jan 1974	—
Evelyn Hadden, Box 47327, Johannesburg	NCR C100	—	—	—	—

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Installation dates	Current and proposed applications
Everready, Box 3181, Port Elizabeth	B 500	R	—	—	Invoices, credit notes, debtors, sales statistics, customs statistics, raw material inventory control, wages, labour machine spares control
*Executive Computer Services, Box 356, Cape Town	B 1726	R	—	July 1974	Debtors, creditors, merchandise, salaries, general ledger, branch control, asset register, sales analysis.
*Exie-dex Trainlists, Box 11088, Johannesburg	Nova 2	P	—	Oct 1973	Handling tender and buying enquiries matched to commodity and suppliers. Storage of technical reference publication and updating. Tape production for noteselling. Accounts, sales program etc.
Farmers Co-operative Wool & Produce Union, Box 5079, Windhoek	ICL R1500	ICL 2903	—	May 1975	Accounting, book-keeping and product sales enquiries. Proposed: transfer current tape to disc system.
**Federated Employers Insurance, Box 666, Johannesburg	IBM 360/25	R	—	Oct 1970	Fire and accident claims, policy holders accounting, renewals, statistics and commissions, WCA policy holders accounting, claims, payments, rebates, surplus distribution, statistics, general ledger, pensions. Proposed: life policy holders.
*Fellex, see Data Data Processing Fenpin, Box 1888, Johannesburg	Sperry 40/24/127	—	—	1974	1 500 programs including electrical power erection progress control, design order optimisation; stock control; factory costing, assets maintenance, operating costs, stress calculations, general administration.
Fergusons Farm, Box 50, Jacobs, Natal	IBM Sys 3/10	R	—	Aug 1970	Debtors, sales statistics, commission provincial turnover, product sales and credit control.
*Fibrelabels, Box 82343, Marshalltown	Mod 4000	L	upgrading existing machine	Dec 1972	Dispatch accounts and banking operation including management reporting. Proposed: salaries share issues, investments, loans and advances and general ledger.
**Fine Wool Products, Box 86, Umtentiga	IBM Sys 3/10 IBM Sys 3/15	R R	—	May 1974	Stock control, production scheduling, orders invoices, wages, debtors, creditors, salaries, costing. Proposed: colour matching.
**Firestone, Box 962, Port Elizabeth	IBM 360/25	R	—	—	Accounts, payroll, sales reporting and forecasting, stock control, inventory control, adjustment, analysis, production and market analysis. Proposed: salaries, costing, raw materials control, bill of materials, timekeeping, preventative maintenance, off-line teletypesetting of current systems between plants and depots.
Fisons, PO Chloorkop, Tvl, Flexible Tubing, Box 38378, Bramley, Tvl, **Ford Motor, Box 768, Port Elizabeth, *Foschini, Box 1000, Parow East	Singer Sys 10 — —	— — —	— ICL 2903 —	— — 1974	— — Confidential
*Fowler Construction, PB 4, Kempton Park, Tvl	4 Decasonic 2200	P	—	Oct 1973 Mar 1974	Merchandise distribution and reporting, various accounting systems, salaries and wages. Capture of wages data and small applications on construction sites. Used as RJE terminals for bureau work eg G-Pac on CSG, 370/155, Cut & Fit on Univac 1108. Proposed: capture of creditors data to run via Nedc CDC 3500.
*Frahnach Computer Centre, Box 1803, Johannesburg	IBM 360/20	R	—	—	Debtors, stock, invoicing, general ledger, account payments, shipments, standard costing, management information systems.
Frame Group see Consolidated Textile Mills *Frieth Sage, Box 773, Johannesburg	NCR C 200	P	—	Jul 1973	Salaries, wages, asset register, debtors, creditors, labour and material costing, stock control, general ledger, progress claims, sales forecasting, budgetary control. Proposed: bill of materials, requirements planning.
Free State Ko-op, Reitz, Free State Provincial Administration, Bloemfontein	NCR C100 ICL 4/52	— —	— —	— —	— —
Freight Services, Box 1151, Johannesburg *Friedman & Cohen, Box 221, Strand, Cape *Furtis, C.J, Box 79, Alberton,	8500 — 8500	— L R	— NCR C100 ICL 6/700	— Mid 1975 Mar 1975	— Debtors, creditors, wages cash flow analysis. General accounting and ordering, order entry systems, production control, creditors, payroll and salaries, dividend cheques, finished goods and offer material stores control, shop floor control. Proposed: expansion and sophistication of current system with emphasis on order entry and production control systems.
Funeral Assurances Group, Box 2218, Cape Town, *Furkey, CH, Box 3790, Arcadia, Alberton	ICL 1901A Multitex	— P	ICL 2903 —	— Sept 1974	Investors control, production control, debtors, creditors, wages, general ledger.
*GEC Machines, PB 1024, Benoni	B 2500	R	—	Aug 1973	Salaries, wages, stock, debtors, work in progress, overheads, cost collection, commercial analysis, production control, parts explosion, creditors, goods in transit, capital asset register, various calculations.
Gallon, Box 14043, Wadeville	H 115	—	—	—	Wages, debtors, stock control, bill of materials, production scheduling.
*Gallo Africa, Box 8216, Johannesburg	IBM Sys 3/10	R	IBM 370/125	Oct 1975	Invoicing, debtors, salaries, stock, sales analyses, royalty accounting, general ledger.
Garlicks, Box 1057, Johannesburg *Gazankulu Government Services, PB 1513, Giyani,	ICL 1901A IBM Sys 3/10	— R	— —	— May 1973	— Salaries, persons, ledger accounts, accounts, bank reconciliations.
General Accident Assurance, Box 2755, Johannesburg, General Electric, Benoni,	IBM 370/125 H200/8A	— —	— —	— 1974	— Proposed: integrated production control system; customer ordering through video screen terminals.
*General Motors SA, Box 1157, Port Elizabeth,	IBM 370/145	L	—	—	Accounting, statistical, invoicing, forecasting and back-ordering, manufacturing, payrolls, online applications.

ALL SA COMPUTER USERS

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up grading	Install ation dates	Current and proposed applications
General Mining, Sottsrivier.	IBM 360/40	R	IBM 370/145	1968	Payroll, accounting, inventory control, daily cost, various planned production of each mine responsibility centre. Terminal links for daily data and Ubatu and Witbank. **Proposed:** integration and real applications to existing management information systems.
General Tire and Rubber, Box 3081 Port Elizabeth.	—	—	ICL 2903	1975	—
*Germiston & Benoni Racing Clubs, Box 74 Germiston.	HP 3800	P	—	Aug 1974	Course totalisator scheme.
*Germiston Municipality, Box 145, Germiston.	IBM 360/30	P/L	32k core	Dec 1974	**Proposed:** turn, place systems, Debtors, accounts, stores, payrolls and integrated costing system, an revenue items, budgetary control calculations, engineering eg effluent analyses, road construction, sewer track reports.
*Gillette SA, Box 81 Springs.	IBM Sys 3/10	R	increase core and disk	Dec 1974	Order entry, invoicing, accounts receivable, finished goods accounting, sales analyses, general ledger. **Proposed:** raw materials accounting, computer-unitisation, payroll, materials management.
*Glacier Bearings, Box 158, Pinetown, Natal.	Ariance 6100	L	2 disc drives	Mar 1975	Full accounts, payroll, salaries, stock control, invoicing, factory programming, budgeting, standard costing.
*Glen And Investments, Box 6587 Johannesburg.	NCR C100	L	—	Sept 1971	Debtors and ledgers system.
Gleman & Mitchell, Box 23960 Johannesburg.	ICL 1901	—	—	1968	Stock control, invoicing, sales, statistics.
*Gold Fields of SA, Box 11167, Johannesburg.	ICL 1903A	R	ICL 1903T	April 1970	Share registration, money payrolls, mines stores, ore reserves accounting, engineering design, investment analyses, operations research.
**Goodhope Textiles, Box 109, King William's Town.	ICL 1902	R	—	Oct 1970	Wages, stock control, stores, debtors, creditors, general ledger, costing, budgeting, salaries, production efficiencies.
*Goodyear Tyre & Rubber, Box 128, Uitenhage.	IBM 360/20	R	IBM 370/155	June 1975	All finance departments distribution, sales and factory systems.
*Government Printing Works, Pretoria.	ICL 1901	R	—	—	Financial.
Greenemans Stores, Box 8389, Johannesburg.	ICL 1903A Datapoint	—	—	April 1971	Invoicing, sales, bank reconciliations, goods catalogue, shopping schedule, hire purchase, payrolls, stores purchase, shares, dividend. Datapoint used as mini computer. Sales, budgets, accounting.
Greenes Steel, Box 834, Germiston.	ICL 1907	—	—	Dec 1967	—
Guarantee Life Assurance, Johannesburg.	Datapoint	—	—	—	—
*Guardian Liberty Services, Box 8294, Johannesburg.	IBM 370/135	P/R	Fire storage equipt	1975	Insurance administrative systems.
*Guesno Industries, Box 1018, Port Elizabeth.	ICL 1901A	R	ICL 2903	Feb 1971 Oct 1974	Payroll, debtors, creditors, stores, various accounting applications, production planning, bill of materials. **Proposed:** enlargements of the above.
*Gunite Plastics, Box 3173, Johannesburg.	Datapoint	L	—	Dec 1973	Debtors, sales analysis, marketing reports, financial, sales reports and stock programs. Using bureau for wages and payroll analyses. **Proposed:** creditors.
*Hahge Computer Services, Box 295, Johannesburg.	ICL 1902	P	—	—	Various applications for bureau customers.
**Hard Metals, Box 584, Springs.	NCR 399	I	Peripherals eg printers & cassette encoders	Apr 1975	Stock control, accounts payable, cash and petty cash books, accounting analyses general ledgers, sales analyses, operating statements. Routine accounting.
Havne & Gibson, Box 803, Durban.	ICL 1901	P	—	Mar 1971	—
Haymakers Decks, Box 337, Germiston.	6 Datapoints	—	—	—	—
*Helios, Box 109468, Johannesburg.	IBM Sys 3 10	R	—	July 1971	Invoicing, debtors, sales reporting inventory control, general ledger.
Hendler & Hendler, Box 204, Boksburg.	H 115	—	—	—	—
*Hewlett-Packard, PB (Pretoriavale)	HP 2100	—	Possible 21 MX	1973 Mid 1975	Customer back up in house accounting order and sales transmission two way to US, invoices, sales analyses, debtors, creditors, purchases, inventory control, master planning. **Proposed:** remote data entry and enquiry.
*Heynes Mainlines, Box 45, Germiston, Cape.	2 IBM 360/20	R	Investigating	—	Stores, salaries, wages, sales, creditors, debtors, planned maintenance. Port regression analysis.
**Highland Steel & Ironstorn Box 111, Vrnbank.	ICL 1901 ICL 1903A	L L	—	May 1968 Oct 1970	—
*Hi-Hy Vulcanizing Works, Box 2333, Johannesburg.	ICL 1903A	R	—	Aug 1975	**Proposed:** debtors ledger, sales analyses, stock, payroll, creditors, payments, wages, salaries and general ledger.
** Hoechst, 3 Caxton St, Industria	IBM 370/155	R	—	1974	Invoicing, statements, stocks, statistics, valuations, gross profit, ledgers, costing, financial planning, actuims. **Proposed:** marketing, balancing sheet.
*Holloway, Box 4089, Germiston.	Varian 620/i, IBM	— P/L	—	May 1974	**Proposed:** commercial applications.
*Homes Trust Life Assurance Box 83, Cape Town.	370/135 and OCR		—	—	Premium and commission accounting, policy administration and valuations, claims and mortality investigations, marketing analysis, salaries, medical aid claims administration, group schemes administration. **Proposed:** general ledger, assets register, management information system, pension schemes premium accounting.
*Horsewell, Box 10489, Johannesburg.	H2030	—	Equipment on order	1974 1975	Customer back up.
**Hospitals Dept. Cape Provincial Admin. Cape.	HP2116B HP2100	P P	—	Feb 1972 Mar 1972	Technical concentration and control at Rondebosch. Basic chemical pathology at Tygerberg. Bureau computers. Using CPA (circa) 1100 for hospital system, due live 1975. Invoicing and debtors, stock recording, market research, salaries, share transfers.
*Hulett Glaces, Box 1388, Johannesburg.	NCR C200	L	—	—	—
*Hunete Aluminium, Box 14, Pietermaritzburg.	B2701	R	—	Nov 1973	Financial. **Proposed:** production.

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up grading	Install ation dates	Current and proposed applications
*Hulette Gots, Box 248, Durban	ICL 1902A	R	—	May 1972	Routine accounting, stores function, sales analyses, payments, share transfer, scientific work, production control.
*Hollams Hunt SA, Box 6217 Johannesburg.	8 Datapoints ICL 1902A	L R	— ICL 1901T	Aug 1973 July 1969 Aug 1975	Decentralised processing requirements. Accounts receivable and payable, general ledger, HP debtors, inventory control.
*Imperial Chemical Industries (SA), Box 112210, Braamfontein, Johannesburg.	ICL 1902A	R	—	—	Invoicing, debtors, sales gross profit, analyses, stock control, valuation, salaries, wages. **Proposed:** creditors, production scheduling, factors inter monitoring.
Imperial Cold Storage, Box 420, Pretoria.	NCR 292	—	—	—	—
*Incorporated General Insurance and Braamfontein Computer Services	IBM	L	IBM	Dec 1974	Costing, accounts, payroll, planning share register.
*Industrial Computer Services, Box 41258, Craighall.	360/40		370/145		Annual H/P payout, labourers and artisans pension funds, artisans' medical aid, general fund reconciliation, statistics, payrolls.
*Industrial Council for the Building Industry, Box 2212, Cape Town.	IBM 360/20	R	—	Feb 1971	—
Industrial Development Corporation, Box 8905, Johannesburg.	IBM Sys 3/10	—	—	—	—
*Ingersoll Rand, Box 3709, Arcade Alberton.	ICL 1901A	L	—	—	Inventory, accounts receivable, salaries, wages, sales analyses.
*Integrand Scientific Computing, Box 81291, Marshalltown.	IBM 360/40	P	256k bytes core	1973	Bureau with following packages: debtors, creditors, general ledger, management reporting, invoicing, sales analyses, share transfer and issues, professional time costing, hire purchase and lease accounting, selective mailing lists, salaries and wages, forwarding and clearing accounting, advertising agents accounting, custom-built systems.
Industrial Wage Bureau, Box 986, Johannesburg.	NCR 500	—	—	—	—
*Interdata see Software House	—	—	—	—	Cape, Durban, Port Elizabeth and Johannesburg bureau work, customer batch run and training. Call 280 financial time sharing service from Johannesburg.
*International Business Machines, Box 1419, Johannesburg.	IBM 360/20 & IBM 360/40 IBM 360/50 IBM 370/155 2 IBM Sys 3 1 IBM Sys 7	—	—	—	—
Intermotor Combustion, Box 31041, Braamfontein.	ICL 1907	—	IBM 370/115	—	—
*International Computers, Data Services, Box 31210, Braamfontein.	ICL 1904H ICL 1903A	—	—	—	Johannesburg bureau batch processing applications. Johannesburg R&D on developing new bureau applications.
	ICL 1903A 2 ICL 4/52	—	ICL 1901A	Dec 1974	Windhoek and Bloemfontein bureau batch processing applications. 1901A for Bloemfontein.
	2 ICL 1903A	—	—	—	Boksburg, Cape Town and Durban bureau batch processing applications.
	ICL 1904 ICL 1902 ICL 1901 4 ICL	— — — —	— — — —	— — — 1974	Port Elizabeth bureau. Pretoria bureau. Swaziland bureau. Customer centres Johannesburg, Cape Town Durban, Port Elizabeth for training & back-up.
**International Harvester, Box 12, Isando.	2903 H 115	L	—	July 1971	Inventory control and accounting, costing, service station accounting, costing. **Proposed:** general ledger, accounts payable, receivable sales ledger and reporting.
**Irwin & Johnson, Box 4804, Cape Town.	2 8/500	R	—	Aug 1970	Salaries, wages, stores, stores, debtors, sales, creditors, financial accounts at Johannesburg, Cape Town and Durban.
*Jacobs, I.A. Box 843, Johannesburg.	Datapoint 2200	P	Datapoint 5500	May 1973	Rent collection system and general ledger.
Jeffries Manufacturing, Box 4084, Johannesburg.	H 115	—	—	—	—
*Johannesburg City Council, Box 1460, Johannesburg.	ICL 1904S	R	ICL 1904S	Oct 1968 Jan 1974	Running 1,272 programs master reading, water, electricity and gas billing, hire purchase, leasing, housing loans, transport, payroll, rental housing, rates, stores, stock controls, Banks, bank land valuations, pension funds, vehicle disposal, salaries, health statistics and emergency, traffic ticketing, city engineers applications and electricity department applications. City Deep fresh produce market on produce consignment and market sales.
**Johannesburg Consolidated Investments, Box 590, Johannesburg.	CDC 2-72 IBM 1800 CDC 1700	L L L	— — —	Sept 1972 1973 Feb 1973	Stocks, payroll, costing, survey ores, reserves, mineral rights, geochemical planning. **Proposed:** integrated costing, system, share transfer, simulation.
*Johannesburg Stock Exchange, Box 1174, Johannesburg.	2 IBM 370/135	R	IBM 370/145	1975	Accounting applications — inter-broker accounting, client-broker accounting, order entry on-line, message switching, and interrogating system for orders processing. Information applications — JSE price lists and trading statistics, monthly bulletin publication, data bank of on-line company information system covering market information and fundamental statistics on company performance.
*Johnson & Johnson, Box 727, East London.	IBM Sys 3/10	—	IBM 2740 terminals	Jan 1974 May 1975	Order processing, invoicing, sales and market statistics, finished goods stock control, salaries wages, general ledger, creditors, raw material stock control, labour and material usage. **Proposed:** order processing from branches (on-line), inventory requirements planning with Bomp.
**Joint Municipal Pension Fund Box 287, Benoni.	8500	R	—	Feb 1972	Current contributions. **Proposed:** loan accounts, pensts, contractual information.
Jones, B Owen, Box 68 Arcade Alberton.	IBM 360/20	—	—	—	—
**Jos Manufacturing, Box 4070, Johannesburg.	H2020	R	—	1974	Stock control, wages, costing, customer order, salaries, creditors. **Proposed:** general ledger, flexible budgeting, purchasing, standard costing, production scheduling, bill of materials requirement planning, receivables.

ALL SA COMPUTER USERS

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Installation dates	Current and proposed applications
Karl Bremer Hospital, Bellville, Cape.	HP 2100	P	—	—	—
Kattrout, Box 98, Tzaneen.	NCR C100	R	—	1972	Accounting routines.
Kemtoi, Bloemfontein.	—	—	ICL 2903	—	—
Kempton Park Municipality, Box 13, Kempton Park.	NCR C200	—	—	1974	Water and electricity billing, items housing, stores, creditors. **Proposed:** debtors housing, loans, rates and rates, costing, salaries, wages. Water and light accounts, rates, housing, stores, creditors payments, storm drain design. Part, electricity networks, salaries, wages, costing.
*Kimberley Municipality, Box 628, Kimberley.	ICL 1901A	R	—	—	—
*Kimberley see Sefdet	—	P	NCR C100	Dec 1974	All accounting applications.
*King William's Town Municipality, King William's Town.	—	P	IBM 370/115	Jan 1975	Billing, accounts receivable, stock control. **Proposed:** general ledger.
*Kodet, Box 735, Cape Town.	IBM 360/25	R	HP 2100	—	Savings bank, debtors, creditors.
Kosprag, Pretoria.	NCR C100	—	—	—	Integrated accounting, financial and costing system, debtors scheduling, debtors, creditors, maintenance, stock, salaries, wages and crop statistics.
Kotlip Wynkoopsvlei Vereniging, Box 528, Dudar Paarl.	IBM 3780	—	IBM 370/115	—	—
Kranzfontein Municipality, Cape.	IBM Svs 3	L	—	1974	Assessments, rates, sewerage, sanitation, debtors, daily revenue, library, rights debtors, electricity and water deposit register.
*Krugersdorp Town Council, Box 94, Krugersdorp.	3 Kienzle 6000	—	—	Nov 1972 Aug 1973	—
Kuter-I, Box 5541, Johannesburg. *LTA, Box 312, Johannesburg.	IBM Svs 3	R	—	Oct 1974	Creditors, cost control, debtors and invoicing, stock control, wages and salaries.
Lanseiller, Rekenkundiges, Pietermaritzburg. **Lapmain Peregon, Box 1310, Cape Town.	8 1728	—	—	—	Debtors, creditors, general ledger, payroll. Debtors, invoicing, sales analyses, creditors, management reports, motor vehicle statistics, product cost analyses, stock control, listings for stocktaking. **Proposed:** raw material stock control and extension of existing stock control system.
**Land Bank, Pretoria. Langenhoven Computer Centre, Box 52272, Saxonwold. *Leaf Lumenia, Box 131, Roodepoort.	NCR C100	—	—	—	—
**Leather Industries Research Institute, Grahamstown. *Legal & General Assurance, Box 4870, Johannesburg.	ICL 1901	R	—	Sept 1971 Nov 1974	Bureau work.
*Leo Computer Bureau, Box 4184, Johannesburg.	IBM Svs 3/10	R	Additional disc drive	Oct 1974	Finished goods, pre-building and stock control system, debtors, creditors, raw materials and consumable stores, stock control. **Proposed:** wages and production control. Scientific applications.
*Leather Industries Research Institute, Grahamstown. *Legal & General Assurance, Box 4870, Johannesburg.	HP 2100	P	—	Sept 1973	—
	IBM 370/125	P	—	May 1974	Administration of life assurance policies, premium accounting and valuation, agents commissions, payroll. **Proposed:** general insurance, new business administration, policy loans administration, incorporation of current valuation in integrated life system, budgetary control and terminal enquiry system.
*Leo Computer Bureau, Box 4184, Johannesburg.	ICL 4/50	P	—	Aug 1968	Full range of bureau applications.
	ICL 4/60	R	—	Aug 1974	
	8 500	R	—	Jan 1968	At Pretoria, Cape Town and Durban with full range of bureau applications.
	2 8 500	R	—	Jan 1968 Jan 1969	At Port Elizabeth and Cape Town offering full range of bureau applications.
	2 83500	R	—	Oct 1969 Apr 1971	Sales accounting, inventory work control of finished products, reporting, for marketing division, linear programming and market research.
Lever Bros, Box 310BB, Braamfontein.	ICL 1903A	—	—	Oct 1968	Debtors, trade creditors, purchase creditors, general ledger, wages, accounting and sales analysis, invoicing, management reporting. **Proposed:** forecasting former contract requirements, income tax detail certificates for cotton farmers, agrarian calculations after cotton harvest, data communications links.
*Lewis H., Box 827, Johannesburg.	ICL 1901	—	ICL 2903	Aug 1975	All branches financial accounting and stock records. **Proposed:** debtors for some local branches (2 running).
*Linen Stores, Box 43, Wrasdalton, Cape.	—	R	—	Mar 1972	—
Lilly Laboratories, Box 88, Isando. **Lincoln, Kirkwood, 12 Melbourne Rd, Durban. Local Authorities Medical Aid, Cape Town. *Logic Computer, Box 140, Durban.	IBM Svs 3/10	—	—	—	—
	ICL 1901A	R	ICL 2903	1968 1975	Wages, order invoicing, retail purchasing, stores stock levels costing.
	NCR C100	L	ICL	Jan 1971	Integrated patient billing, income and expenditure accounting specifically for the medical and dental profession.
	ICL 1902A	P	ICL	Apr 1973	
	Nudert 620	P	2903	—	
*MSD, Box 7746, Johannesburg.	IBM Svs 3/10	L	184 disc	Jan 1975	Bureau work.
Magnetic Observatory, Hermanus.	Varian 620/i	—	—	May 1972	Accounting.
Magaliesberg Tobacco Co-operative, Rustenburg. *Mabot Board, Box 668, Pretoria.	IBM Svs 3/10	—	—	—	—
	NCR C200	R	—	Apr 1972	Stock control, sales procedures, invoicing, ledger, cost accounts, control of salvage accounts, statistics, salaries. **Proposed:** processing of rating information.
*Makro, Box 471, Johannesburg.	HP 2100	R	—	June 1974	On line applications for retailing.
	HP 2100	R	—	Oct 1972	On line applications for retailing at Cape Town.
	IBM 360/30	L	—	July 1974	Machine shared with Capitol.
*Management Computer Services, Box 81408, Marshalltown. Box 2252, Cape Town. *Marine & Trade Insurance, Box 10509, Johannesburg. Marley Tiles, Box 6884, Johannesburg. *Maskinne Africa, Box 51, Falcotuin.	8 3500	R	upgrading	1969	Full range of commercial bureau services including remote job entry.
	8 2500	R	upgrading	1970	—
	Univac 90/60	R	—	Sept 1974	On line motor insurance system and associated batch reporting systems.
	—	—	ICL 2903	—	—
	ICL 1901A	R	—	—	Financial and cost accounting, inventories, order processing, payroll and sales, bureau applications.
	Singer (pending)	L			

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Installation dates	Current and proposed applications
**Massey Ferguson, Box 677, Isando.	IBM 360/40	L	—	Mar 1972	Payroll, general ledger, trial balances, parts stock recording, invoicing, statements, general stock recording, labour efficiency reports, order status, requirements planning. **Proposed:** whole goods forecasting, parts forecasting.
Matrix Computer Bureau, Johannesburg. *McCarthy Rodway and Countdown Services, Mutual Bros, Box 282, Germiston. **Medical & Dental Management Services, Box 2189, Johannesburg.	IBM 1130	—	—	—	Bureau work.
	ICL	—	—	—	Wages, order invoicing, retail purchasing, stores stock levels costing.
	1902	—	—	—	Integrated patient billing, income and expenditure accounting specifically for the medical and dental profession.
	B 1728	R/L	—	—	
Medical Services Plan, Pretoria. *Mimet Box 54, Box 7752, Johannesburg.	Singer Svs 10	—	—	—	—
	B 2745	L	—	Aug 1972	Nominal ledger, stores, debtors, sales statistics, payroll, creditors, workshop job costing, pensions, medical aid, capital expenditure appraisal. **Proposed:** standard costing, planning and control, sales forecasting, fixed assets, salaries.
Metal Industries Group Life & Provident Fund, Box 7307, Johannesburg.	IBM 370/145	L	—	1974	Contribution recording, claims recording, salaries valuations, statistics. **Proposed:** recording on-line portfolio evaluation.
Metservice, Box 732, Bloemfontein.	ICL 2903	—	—	1974	—
*Mhlumba Sugar, PB 1, Tafelkerri, Swaziland.	ICL 1901	R	—	Oct 1974	Integrated stores and financial accounting, salaries and wages, irrigation, harvest and crop planning.
Midland Medical Plan, 1201 Green, Port Elizabeth. *Mills Board, Box 2582, Pretoria. **Milne Safety Appliances, Box 1980, Johannesburg.	—	—	B 1700	—	—
	NCR C100	L	—	—	Debtors, creditors, salaries, statistics, invoicing, debtors, sales statistics, creditors, general ledger, profit and loss, balance sheets, wages, stock control, billing, rental contracts. **Proposed:** costing, extended stock applications and sales reports.
	NCR	L	—	1968	
	C100	—	—	—	—
Minorasco Mining & Manufacturing, Box 10465, Johannesburg. Mitchell Cotts, Box 6394, Johannesburg. *Mobil Oil SA, Box 35, Cape Town.	IBM	—	—	—	—
	370/115	—	—	1974	Product costing, sales statistics, accounts receivable and payable, payroll, inventory control, general ledger and expense, vehicle performance. Fixed assets, depot invoicing, incorporation software, linear programs, manufacturing and marketing models. **Proposed:** planning models, mini computer support for basic manufacturing/distribution operations.
	Datapoint	—	—	Jan 1971	
	(8 1 360/40	L	—	May 1974	
	8 TCS530	L	—	—	
Modern Hairdressing, Box 2351, Cape Town. Modital Caravan, Box 25280, Johannesburg. **Moloses Data Services, Box 8552, Cnr.'s Sutherland, Johannesburg. *Motor Assemblies, Box 12030, Jacobs. **Motor Industry Centre for Financial Information, Box 8477, Johannesburg. *Mumbles, Box 20, Cape Town.	Singer Svs 10	—	—	1974	—
	ICL 1004	R	—	Aug 1974	Bureau services, debtors and financial ledgers. **Proposed:** scientific bureau services.
	H 2200	—	—	—	Vehicle tracking, inventory control, financial control, G.Pac.
	—	L	62741	July 1975	—
	IBM	R	—	—	Financial clearing. **Proposed:** medical aid fund system.
	Svs 3/10	—	—	—	Bureau applications of wages debtors, and special custom built systems. All types of insurance systems including an integrated policyholder/agent with on-line facilities to almost all regional offices.
	IBM 370/158	P/R	—	Sept 1971	
	IBM 370/155	—	—	Sept 1974	
Murray & Stewart, Box 129, Port Elizabeth. **Mutual & Federal Insurance, Box — 21, Johannesburg.	IBM Svs 3/10	—	—	—	—
	ICL	L	ICL	1975	Current renewals, MVA, building societies, MVA commission, agency. **Proposed:** conversion to a data base integrated renewals accounting and commission system, claims.
	1902A	—	1903A	—	
Muzo, Pietermaritzburg. **Nasionale Pasbelthe, Box 1602, Cape Town. *Natal Building Society, Box 1744, Durban.	—	—	ICL 2903	—	—
	ICL 1902	R	Interst	1968	Various.
	ICL 1901A	R	upgrade	1974	Various.
	2 NCR 2 200	P	—	June 1970	On line savings, subscription shares and loans to branches via NCR 42 270, 30 minute.
	1 NCR 315	—	—	Nov 1972	Batch processing shares and fixed deposits Management reporting.
	—	—	—	Oct 1968	—
Natal College for Advanced Technical Education, Berea Rd, Durban. Natal Mercury, Box 950, Natal. Natal Oil & Soap, Box 8, Jacobs, Natal. **Natal Provincial Administration, Reg 9037, Pietermaritzburg.	—	—	—	—	—
	1901	—	—	—	—
	Digitit	—	—	—	—
	ICL	—	—	Mar 1968	Sales accounting, analyses, debtors, invoicing, statistics.
	1901	—	—	—	Salaries, stores, creditors, debtors, bookkeeping, education statistics, motor licensing on-line, road design, hospital fees, engineering calculation.
	ICL	R	—	April 1973	Stock and debtors control, salaries, costs, payroll, creditors.
	19034	—	—	—	Debtors ledger, debtors statements, wages and salaries.
**Nasionale Landbouskoperasie, Box 145, Durban. *Natal Witnesa, Box 362, Pietermaritzburg. National Business Institute, Box 40966, Cape Town. National Bolts & Rivets, Boksburg. **National Cash Register, Box 3581, Johannesburg.	NCR	R	NCR	—	—
	C100	L	C101	—	—
	Kienzle	L	—	Jan 1972	—
	8000BM	—	—	—	—
	IBM	—	—	—	—
	Svs 3/10	—	—	—	—
	ICL 1902A	—	—	—	Bureau work, customer backup and support and software development.
	NCR 315	—	—	—	
	NCR C200	—	—	—	
	3 NCR C100	—	—	—	
	NCR C101	—	—	—	
**National Co-operative Dairies, Box 1679, Johannesburg. *National Employers General Insurance, Box 61284, Marshalltown.	IBM	L	Unisys	—	Debtors, creditors, inventory control, salaries, wages, transport, sales statistics.
	360/20	—	—	—	Annual and monthly renewals, debtors trial, accounting, claims, general ledger, salaries, mini statistics of general insurance re insurance.
	IBM	R	—	Sept 1974	
	370/125	—	—	—	
National Industrial Credit Corp, Box 8268, Johannesburg.	IBM	—	—	—	—
	360/20	—	—	—	—

ALL SA COMPUTER USERS

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Install-ation dates	Current and proposed applications
National Institute for Mechanical Engineering Research, Pretoria.	CDC 1700	—	—	—	—
**National Institute for Telecommunications Research	IBM 1130 HP 21MX HP 2116	R P P	— — —	1970 1972 1968	Linked to IBM 360 Pretoria Signal processing. Signal processing.
**National Parks Board, Dewendt St Ext, Pretoria.	IBM	R	—	Mar 1974	Bookkeeping, payroll, magazine distribution. budget control. Reservation system for all all parks, on-line, real- time system. **Proposed:** wages, stores, improved existing systems.
**National Petroleum Refiners of SA, Box 234, Sasolburg.	Univac 1108	L	—	Aug 1973	General accounting, refinery planning and stock control.
**Nedcom, Box 1184, Johannesburg	2 B 3500	L	terminals	1972	Bureau work primarily for Nedbank group with on-line network to branches.
**Nedbank and Nedcom, **Nenting Manufacturing, Box 54, Vanderbijlpark. **Newcastle Town Council, Newcastle.	B 1714 IBM Sys 3/10	R R	— —	Apr 1974 1973	Wages, marketing, creditors. Statements for electricity, water, refuse, sewage, property valuations, taxes standard, integrated budgetary control.
New Republic Bank, Durban.	Nixdorf 820	— —	Nixdorf 820	1971 1974	General ledgers, discounting bills, fixed deposits, savings accounts, hire purchase and loans accounts. **Proposed:** similar applications in Johannesburg branch office.
Nirham Strand & Partners, Sanlam Centre, Cape Town.	IBM 1130	— —	— —	— —	—
**Noordelike Rekenkunthaar Bure, Box 43460, Pretoria.	2 NCR C100	R —	— —	Feb 1974 —	Debtors, creditors, wages, nominal ledger, budgetary control and bureau work generally.
Noordelike Transvaalse Koöperasie, Nylstroom.	B 500	—	B1726	—	—
**Noord-Westelike Koöperasieve Landboumaatskappy, Box 107, Lichtenburg.	NCR C500	R —	— —	Nov 1971 —	Salaries, grain accounts, cash sales, debtors, accounts. On-line enquiries with grain receipts, stock sheets. **Proposed:** creditors, sales analyses.
*Nortberg Mfg. Box 2252, Johannesburg.	ICL 2903	R —	— —	Sept 1974 —	Wages, invoicing, debtors, stock control, ordering, general ledger, creditors ledger, job costing, bill of materials, shop scheduling.
Northern Union Insurance, Cape Town.	ICL 1901	— —	— —	Jan 1967 —	Accounting, statistics, insurance premiums and renewals.
*Norton Co. Box 67, Isando.	2 Olivetti 2200	L —	— —	May 1972 Feb 1974	VDE terminals for on-line order entry and accounting, budgeting, general ledger, sales and manufacturing statistics via bureau.
Norwich Union Insurance Society, Box 128, Johannesburg.	ICL 1901	— —	— —	— —	—
*OK Bazaars, Box 115?1, Johannesburg.	IBM 370/155	L	—	—	Warehouse stock control, import merchandise, financial systems, big ticket, teleprocessing work for different applications. **Proposed:** wages.
Olivetti Africa, Box 4158, Johannesburg.	ICL 1901A Nova	R —	— —	Oct 1968 —	Debtors, sales analyses, statistics, invoicing, general ledger, hire contracts, purchase, salaries, wages, stock control, budget, fixed assets.
O Okiep Copper, Nababeep Oostelike Transvaal Co-op, Bethal *Ora Division, Box 2725, Johannesburg	IBM 1130 2 NCR 315 NCR C200	— — L	— — —	— — —	— — Inventory control, bill of materials, service and sales, receivables, projected material and labour costs per contract, wages, salaries, stores, sales against estimated cost per contract. **Proposed:** maintenance, route grading, inventory require, matrix, planning, construction monitoring, creditors.
Ove Arup & Partners, Johannesburg. Overdonk Investments, Box 1007, Cape Town. Pan Yams, Hammarsdale, Natal. **Pasbaba Mining, Box 85, Phalaborwa.	IBM 1130 — Digital ICL 1900S	— — — R	— — — —	— ICL 2903 — Dec 1973	— — — Payrolls, stores, mine planning, debtors, creditors, statistics. **Proposed:** planned maintenance. On-line control of trucks in open pit grade control and accounting.
**Parlow Municipality, Box 11, Parlow.	NCR C200	—	—	May 1974	Housing sales and rentals, land sale rates, debtor, salaries, service accounts, wages rates, ledger to trial balance. **Proposed:** expansion of system with on-line enquiry. Data base and bureau for 2 other municipalities.
**Pyson Components, Box 8060, Port Elizabeth.	B 700	L	—	Nov 1974	Accounts receivable, payroll, accounts payable, general ledger. **Proposed:** total Bureaughs BNS package.
*Peck Holdings, Box 8080, Johannesburg.	ICL 2903	R	—	—	Integrated financial accounting, budgetary control system for group of companies, months, profit and loss accounts, balance sheet, expense reports, debtors and creditors analyses, payments or dividend, company and depart-mental level. **Proposed:** stock control, financial modelling, order entry and invoicing on-line.
*Pep Stores, Box 79, Kuilsriver.	B 500	R	B1726	Oct 1974	Factory wages, salaries, order system, invoices, nominals (includes various financial reports), stocks sales. **Proposed:** stock control, production control at factories, financial budgeting system of factories.
Peugeot Automotive, Isando.	IBM Sys 3/10	—	—	1974	Administration, spare and component part inventories.
Phoenix Trading, Box 2494, Johannesburg.	Dataspeed	—	—	—	—
**Phosphate Development Corp. Box 1, Phalaborwa.	ICL 1901	R	—	June 1968	Stories, creditors, salaries, wages, cash book, invoicing, assets register, maintenance, budgetary control, costing, daily production report. **Proposed:** Bantu wages, personnel registers, ore reserve calculations. Photogrammetric on-line to 1900 A-10 plotter.
**Photosynthesis, 216 Nanoo House, De Korte St, Johannesburg.	Texas mini	P	—	Mar 1973	Payrolls, wages, accounting, superannuation and provident fund, consolidated stock loans, hire purchase, accounting, estimates, medical aid and insurance. **Proposed:** rents, consolidated policy.
**Pietermaritzburg Municipality, Box 111, Pietermaritzburg.	ICL 1901	R	—	Dec 1973	—

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Install-ation dates	Current and proposed applications
*Pietersburg Town Council, Box 111, Pietersburg.	NCR C 100	P	—	July 1972	Water and electricity accounts, salaries, wages, stores ledger, creditors accounts, salary roll, housing loans. **Proposed:** inventory control, cost accounting, engineering applications.
*Pilkington Bros, Box 61208, Marshalltown.	—	L	ICL 2903	Jan 1975	Accounting systems, long-term planning, linear cut control of major capital projects.
*Pinetown Computer Services, Box 266, Pinetown.	NCR C100	P	—	Aug 1968	Debtors, creditors, wages, general ledger, bookings stocks, sales analyses, raw material, stocks, forecasting, budgets, assets register, labour and materials costing.
*Pinetown Regional Water Services, Box 33, Pinetown. *Pipelon, Box 1118, Krugersdorp. Plaston Evans, Johannesburg. Pooley, Box 101, Paarden Eiland.	IBM Sys 3/6 B 700 — PDP 11	R L L —	— — ICL 2903 —	May 1972 Jan 1974 — —	Work account, rents, stores, wages and costing. Account functions. — Engineering, medical aid, payroll.
*Port Elizabeth Municipality, Box 834, Port Elizabeth.	ICL 1901A scientific computing feature	R	investigating	Dec 1970	Income and expenditure assessments, rates, metered billing, salaries/wages, amounts loans ledger, deposits, rents, stores and creditors payments, load stock, meters rolls, fire insurance, medical aid, paper rate receipt analyses, vehicle costs analyses. **Proposed:** computerised loans fund, pensions fund, valuation, produce markets, data bank personnel.
*Pougalaskraal Tobacco Co-op, Box 2, Pougalaskraal.	B 500	L	B1726	1971 1975	Stock control, credit control, invoices, tobacco evaluation bid filed.
*Premier Milling, Box 1530 Johannesburg.	IBM 360/40 S IBM Sys 3/6	L R	IBM 370/135	Feb 1975 —	Bureau work.
President Insurance, Box 10182, Johannesburg.	ICL 1901A	—	—	1971	—
Pretoria City Council, Box 408, Pretoria.	ICL 1903A Nova	—	—	1971 —	Rates, units, billing and stamdata costing and salaries.
Pretoria News, Box 428, Pretoria.	Digico	—	—	—	—
*Pretoria Wholesale Druggists, 188 Bremer St, Pretoria.	IBM Sys 3/6	R	—	June 1971	Invoices and debtors. **Proposed:** stock control, creditors, salaries and wages.
*Premium Trust, Box 248, Pretoria.	ICL 1901A	R	—	Mar 1968	Debtor and creditor systems.
*Price, Forbes, Sedgwick Africa, Box 61869, Marshalltown.	Singer Sys 10	P	upgraded	June 1973	Debtors, creditors. **Proposed:** claims, expenses, budgeting, pension fund, assets register, motor vehicle control, salaries, personnel, records, research etc.
Progress Printing Mills, Box 9937, Pretoria.	ICL 1901A	—	—	—	—
Provincial Building Society, Box 9934, Johannesburg.	NCR 500	—	—	—	—
**Prudential Assurance, Box 1097, Johannesburg.	IBM 360/40	P	—	July 1968	Life accounting, valuation, commissions, payroll, medical aid, pensions, surrender value calculations, fire & accident standard accounting, long term assets. **Proposed:** enhancement of existing systems.
*QHS Management Services, Box 10889, Johannesburg.	IBM Sys 3/10	R	IBM 370/115	April 1974	Debtors, sales, ledgers to profit and loss, stock recording, control. **Proposed:** sales management at branch level.
Quarry Sales, Johannesburg. RMB Nitrox. **Rainbow Chicken Farms, Box 29, Hammarsdale, Natal.	IBM Sys 3/10 Digico NCR C100	— — R	— — —	— — May 1974	— — Wages, salaries, debtors, creditors, stocks control, feed order scheduling, egg & chick production monitoring/recording. **Proposed:** Task assets and planned maintenance, general accounting.
Raleigh Cycles, Box 581, Springs. Rand Broom & Brush, Box 2784, Johannesburg. Randburg Town Council, Reg 1, Randburg. Rand Cold Storage & Supplies, Box 1343, Johannesburg. Randfontein City Council, Randfontein. *Randse Afrikaanse Universiteit, Box 524, Johannesburg.	— IBM Sys 3/10 B 500 ICL 1901 Dataspeed IBM Sys 3/6 IBM 1130 HP 2100A	— — — — — — R	ICL 2903 — — — — — IBM 370/115, HP 2100A	— — — — — — Nov 1974	— — — — — — Salaries and wages, student records, library research, statistical analyses, training in computer science.
Rhodes University, Box 94, Grahamstown.	ICL 1901A	—	—	1974	—
Ryder's Digest, Strand St, Cape Town. *Rochor & Coleman SA, Box 1097, Cape Town.	— ICL 1902A	— R	ICL 2903 —	— April 1968	Invoicing and debtors, sales statistics, cost accounting, inventory control, production planning, materials, requirements planning, salaries and wages, creditors, financial accounts. **Proposed:** budgeting.
*Rennies Consolidated Holdings, Box 7214, Johannesburg.	—	—	investigating in-house mini-ware	—	Accounting and sales analyses country-wide on bureau.
**Res Trustors, Box 1858, Cape Town. *Reynolds, A. Box 8080, Elandsfontein Rio Tinto Zinc Management Services, Box 61140, Marshalltown. *Roberts Construction and Industrial Computer Services	ICL 1901 NCR 500 Dataspeed	R	— — ICL 2903	— — —	Production control, raw material stock control, payroll, debtors, creditors, craft curing analyses.
Robertsons, Box 1958, Durban.	IBM 370/115	—	—	—	—
*Rollpak Distributors, Box 1984, Johannesburg.	Burroughs	R	B 4904/230	Jan 1975	Inventory control and management, debtors and sales, statistics, management information systems, salaries wages, credit control, on-line data base.
*Rondalia Rekeninkkantoor, Box 2290, Pretoria.	B 2500 1070/500	R	—	Sept 1972	Shares, salaries, agents commission, income tax, hire purchase, loss payments, brokers, touring club membership, motor policies, third party, life policies, claims, debtors, accounting.
Rossi & Mattioli, Box 5022, Benoni.	IBM 360/25	—	—	—	—
Royal Baking Powder, Box 181, Kempton Park	IBM Sys 3	—	—	—	—
Rupert International.	IBM 360/40	—	—	—	Accounts, ledger, budgets, wages, payroll, stock and costing, sales analyses, forecasts, production schedules. **Proposed:** assets register, financial forecasting, round stock control, income and expenditure accounts.
Rustenburg Municipality, Rustenburg Rustenburg Platinum Mines, Rustenburg **Rust Roy Mills, Box 719, Pretoria.	Dataspeed 2200 HP 2114 — NCR C100 IBM 1800 Singer Sys 10	— — — — — L	— — — — — —	— — — — — July 1973	— — — — — On-line applications.

ALL SA COMPUTER USERS

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Installation dates	Current and proposed applications
*SA Airlines, Johannesburg	2 IBM 370/145	R	—	Nov 1972	Wages, debtors, stores, costs, bookings
	CDC 1700	P	—	June 1971	and batch work. Checking and loading cargo
					load equipment.
*SA Associated Newspapers, Box 1138, Johannesburg	IBM	R	Investigating	—	Administering divisions, creditors, contributions, salaries, wages, subscribers, budgets, total ledger, material and assets, forecasting.
	360/20				Accounts receivable, finished goods stock
	IBM 1130	R	Investigating	—	control, marketing information system analysing order intake and invoiced sales, production plan-ning, costing and factory salaries, manufacturing, including control of raw material stores, salaries, wages, fixed assets, documentation for dispatch of finished goods and invoicing to customers.
*SA Bona Shoe, Manchester Rd, Rondebosch	IBM	R	IBM	Sept 1974	
	360/20		370/115		
—	—	—	—	—	—
SA Breweries Pension Fund, Johannesburg	—	—	ICL 2903	—	Material management system, ledgers, wage
*SA Broadcasting Corp, Box 8218, Johannesburg	IBM	R	From 1433, to 8201 this month	Jun 1975	files, payroll, workshops, canteens, stock, advertising, services, accounts, scheduling of advertisements, address lists, present, manage-ment. Proposed: converting of batch systems to on-line, budget and planning, scheduling of TV facilities, television transmissions, sales admin-istration on-line.
	7 Varian 620/i				
*SA Bureau of Standards, PB 4161, Pretoria	IBM	R	Disc system	Sept 1974	Stores, debtors, salaries, creditors, main ledger, budgets, cost, analyses. Proposed: intended current applications, personnel records, stock records for SABS specifications, library system, project costing system.
	Sys 3/10				
SA Cement Materials	IBM Sys 3/10	—	—	—	Creditors accounting, salvage, monthly, as-sessing, gross profit analyses, sales profitability, by product, inventory values, financial reports.
*SA Dried Fruit Circle, Box 508E, Wellington, Cape	ICL	R	—	Sept 1973	Wages, sales returns, creditors, producers, farmers, stores including returns, job costing and data communications, production control and costing, shares, nominal ledger, payrolls, costing and statistics. Proposed: various new systems and refinements of present systems including more off-line communications.
	1901A				
SA Federation of Funeral Associations, Braamfontein	ICL 1004	—	—	—	—
SA Glazing Subsidiary	NCR 310	—	L	—	—
*SA Gypsum, Box 6249, Cape Town	ICL 1901A	R	—	—	Wages, debtors accounting, invoicing, sales analysis, raw material purchasing and stock con-trol, raw materials, requirements planning, stock control, production planning, work in progress monitoring.
*SA Iron & Steel Corp, Box 450, Pretoria	4 COC 3200	R	COC	1971-74	Finance and costing, stores control, order processing, credit control, despatch, invoicing, work-in-progress, sales analysis, nominal ledger, material requirements planning, stock control, production planning, work in progress monitoring.
	3 COC 3170		Cyber 73/74	Nov 1974	
—	2 Kienzle 8128	R	—	1974	Financial work eventually billing to Volkswagen's IBM 370/125 in Uitenhage.
*SA Marine Acceptance Corporation, Box 37, Uitenhage	IBM Sys 3/6	L	—	Sept 1974	
Box 7738, Johannesburg	IBM Sys 3/8	L	—	1974-75	
SA Mutual Fire & General Insurance, Box 1150, Johannesburg	ICL 1004	—	—	—	—
*SA Mutual Life Association Bankers, Box 84, Cape Town	ICL D.on 2	P	Investigating	—	Total policy servicing and valuation including new business issues and admin, marketing applications, agents' commission and statistics, medical aid, misappropriation control, salaries, staff admin, pension schemes, investments, mort-gages and insurance analyses, business models, alphabetic members' index and enquiry system. Proposed: refinement of existing registers and re-structuring of main system on modular basis for non-duplicate of on-line applications on new-range stare computer.
	ICL 1904A	P			
*SA Permanent Building Society, Box 17228, Hillbrow	2 B4700	P	—	—	Prior customer applications on-line to 76 applications using 300 terminals. Invoicing, debtors, sales statistics.
*SA Pharmaceutical Development Corp, Box 241, Johannesburg	2 IBM 360/20	R	Disc machine	—	
*SA Philips, Box 7702, Johannesburg	IBM 360/40	L	—	Jun 1974	Stock control, debtors accounting, sales statistics, factory production control, service queries against personnel system. Proposed: stock take calculation and direct order entry.
**SA Pulp & Paper and Allied Industries Corporation, *SA Railways, Johannesburg	8 ICL 1900	P	rendering	1094 1905 1906 1910	White and Black pay, freight, stores, expenditure, Dutch processing at Klimzeilas, East London, Port Elizabeth, Bloemfontein, Pretoria and Wind-hoek.
	ICL 4/32	R	—	Nov 1972	As above at ADM office, Johannesburg.
	4050 370/145	R	IBM 370/158	Nov 1973	As above at ADM office, Johannesburg.
	IBM 370/158	P	—	Aug 1972	On-line stock control spheres with 72 Data-points.
	2 ICL 4/50	R	—	Oct 1970 Mar 1971	White and Black pay, freight, stores, expenditure at Durban. At Cape Town.
	IBM Sys 7	R	—	Oct 1973	Production control scheme at Koedoespoort. Message switching still to be commissioned
	4 Tempo 2/51800	P	installed		
SA Rubber Mfg, 331 Jacqueline Rd, Durban	ICL 1901	—	—	—	—
*SA Trade Union Assurance Society, Box 8701, Johannesburg	IBM 360/20	R	Either IBM 370/115 or Univac 90/30	—	Complete range of applications for life insurance company.
*SA Weather Bureau and Department of Transport, SA Wool Combustion, Port Elizabeth. SAT Switching, Box 187, Isithebe	IBM 360/20 IBM 360/40	— —	— —	— —	— —

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Installation dates	Current and proposed applications
**Stats Administration, Windhoek	ICL 4/50	L	—	Jan 1973	Wages, debtors, stores, course bookings
*Sturrock Rosenzo Bouwmaatskappy, Box 206, Pretoria	IBM	P	—	Oct 1973	Batch processing. Proposed: on-line applications for 1975.
	370/135				
*Sundton Town Council, Box 78002, Sandton	#1100	L	—	—	Management rents, sewer and refuse accounts, water and electricity accounts, salaries and wages, motor vehicle licences, stores, general accounting, costing.
*Sundvik, Box 209, Benoni	9500	R	Tenders from IBM, Sun-dstrand, Honeywell, Univac, ICL, Unidata	end 1975	Stock control, sales and marketing analyses, debtors, creditors, general ledger, budgetary control and payroll. Proposed: on-line stock control, production scheduling, raw material inventory, bill of materials, purchasing, delivery scheduling, management information systems.
*Sunlam (as Munsters)	ICL	R	Possible disk and tape processor	Dec 1975	Insurance short-term, premiums, salaries, bonds, investments, turnovers, share transfer, new purchases, growth funds, branch accounts, lea-ing, advertisements, market research. Proposed: nominal accounts, stop orders, fixed deposits, savings accounts.
*Sunlam, Box 121, Johannesburg	IBM 360/40	N/L	—	—	Specialised clearing industry applications, projects management, catering, canning, film advertising, film distribution. General commer-cial and accounting applications eg payrolls
Supa Metals, Box 61721, Marshalltown	IBM 360/30	—	—	—	Not given
*Suterag SA, Box 54, Isando	IBM Sys 3/10	R	—	Oct 1973	Inventory control and order follow up, contract planning and job costing, payroll, debtors, creditors, general ledger including cash books and fixed assets, register. Proposed: integrated production and inventory control system.
*Schneider Lifts, Box 2615, Johannesburg	IBM Sys 3/10	R	—	Sept 1973	
Schneider, R.J. Pinetown, Durban	ICL 2903	—	—	1974	—
Scott, D.T. Port Elizabeth	—	—	#100	—	—
Selected Positions Box 3815, Benmar	NCR C100	R	—	—	—
*Service Mechanics Corporation	IBM	R	—	—	Commercial and administrative applications of the Cross.
Mountainview, Box 31, Hartebeest-fontein, Box 81204, Marshalltown	3 370/135	—	—	—	Used by Servicemen and subsidiaries see Computer Applications Bureau.
	6 Datasaurus	—	—	—	
*Servicekor Ltd	NCR	R	—	Nov 1971	Insurance applications, weather forecasting,
Box 114, Kilnburg, DFS	C100				premium billing, claims control, statistics.
Shanbrooke Safety Glass	NCR C100	—	—	—	—
Box 23242, Joppestown					
Shell & BP Service, Box 6089, Cape Town.	IBM 360/40 R		IBM 370/135	Mar 1975	Balance sheet, operating costs, assets, payroll, stock accounting, marketing statistics, vehicle statistics, payroll, medical aid, debtors, material stores accounting, operations research.
	2 Nova 2				
*Shire Cars of SA, Box 5313, Johannesburg	ICL 1903A	R	—	—	General accounting systems, sales analyses, ordering, stock recording, allocation and trade-in/return and payroll.
Siege Mear Industries, Box 241, Krugersdorp	NCR C100	—	—	—	—
*Siemens, Box 4583, Johannesburg	9400/40	—	—	Oct 1971	In-house, wages, salaries, stock control, stat-istics, invoicing, contract costing. Customer ex-posh demonstrations and presentations. General accounting.
Silverton Engineering, Box 15741, Johannesburg	NCR C100	R	—	Nov 1974	—
Singer SA, Box 739, Johannesburg	Singer Sys 10	—	—	1972	Customer back-up.
Smith, Knox & French Pharmaceuticals, Box 38, Isando	Kienzle 8000	—	—	—	—
*Dre Smith, Wouldermill, Selcon & Kilsaton, 303 Hadgard Medical Centre, Theunina St, Sunnyside, Pretoria.	$700	P	—	Oct 1973	Not listed
*Software Houses, 114, Nedbank Centre, Silverton	CDC 3170	L	Core, disks	Jan 1971	Equipment at Johannesburg and Pretoria concentrating on broker data base manage-ment.
	CDC 1700	L	and communi-cations	Mar 1974	
*Southern Life Association, Civic Westerfonk, Rondebosch	ICL 1903A	P/R	—	1980	Policy administration individual pension and general insurance, investment portfolio valua-tion, search, rent collection. Proposed: gene-ral accounting, budgeting, marketing, strate-mon-ing term overall corporate data base.
Southern Universities Nuclear Institute, Box 17, Faure, Cape.	PDP 15/20	—	—	—	Nuclear data acquisition and processing.
Spanjaard, Box 121, Benoni.	IBM	L	Two-drive system and disks	Jun 1971 Jun 1974 Jun 1975 Jan 1976	Debtors, and sales analyses, salaries, accounting and payment of live wages, stock, creditors. Proposed: wages.
Sperry Rand, Victoria Estate, Box 4228, Johannesburg.	ICL 1004	L	—	—	Invoicing statements, age analysis, purchase, cash remittance advice, receipts, cashbook, sales analysis, salaries, general ledger.
*Sperry Univac, Box 5881, Johannesburg	Univac 1108	—	9020	1975	Customer support.
*Springs Town Council, Box 45, Springs.	ICL 1901	R/R	ICL 2903	Oct 1981 Feb 1975	Salaries and wages, rate refuse and sewerage billing, housing accounts, water and electricity accounting and billing, costing and budgetary control, stores accounting and reporting, sundry creditors, sundry debtors, estate roll.
*Standard Bank of SA, Box 62302, Marshalltown.	IBM	L	IBM	1975	Batch processing of transactions. Proposed: on-line entry with real-time account enquiries.
	370/135	L	370/158		
	IBM 370/145	R	—	—	Batch processing of Cape Town transactions.
	IBM 370/125	R	—	—	Durban based satellite to Johannesburg centre with off-line magnetic tape to tape communi-cations.
Standard Telephones & Cables, Box 296, Boksburg	IBM 370/125	R	—	1975	Also includes work for Bricker.
Stassions Org Mad Scheme, 551 Belvedere Arcade, Pretoria	NCR C100	R	—	1976	Medical aid accounting.
*Steele Bros, Box 8884, Johannesburg	—	L	Multibus	Feb 1975	Stock ledger, debtors, invoice processing.
Steer Engineering, Box 127, Rondebosch.	Nixdorf 820/25	—	—	—	Stock control, invoicing, debtors wages.

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ALL SA COMPUTER USERS

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Installation dates	Current and proposed applications
*Dion Bros. Box 43187, Industria.	ICL 1902 ICL 2903	L	—	May 1968 Oct 1974	Off-line stock control, accounts, payroll, statistics, company monthly and yearly statistics, bureau work for clients, on-line real time stock control.
*Stellenbosch Farmers Winery, Box 46, Somerbosch.	IBM 360/22	R	IBM 370/125	Jan 1975	Debtors, creditors, wages, salaries, sales statistics, then economic, stock, production planning, gross buying budget/sales targets.
Stellenbosch Municipality, Cape. **Sterling Drug, Box 74, Modderfontein.	NCR C100 IBM 360/20	— R	— —	— Dec 1970	— Debtors, creditors, numerous statistical reports, inventory control, finished goods, management reporting. Proposed: raw material control and exception reports. Accounting and commercial.
*Stevens & Liddle, Box 8094, Benoni. Stilfontein Gold Mining, Box 1, Stilfontein. Stuttaford, Box 69, Cape Town.	83/30 2 16K Sys 2/10 IBM 360/40 IBM 360/20	R R — —	— — — ICL 1903	1974 Mar 1972 — —	Sales statistics, creditors, medical aid, general accounting, staff purchases, van lines, general accounting. Proposed: payroll, stock reporting, debtors, sales analyses. Debtors and sales analyses.
*L Suzman Rand, Box 2180, Johannesburg. Sunspilland Coal, Middelburg, Swaziland. *Syfy, Johannesburg.	2 Kienzle 9012 — Sufa models	L — — —	— — ICL 2903 —	— — — 1974	Stockmasters and software work for future customer installations.
**Sylvea (SA), Box 298, Cape Town.	ICL 1902A	R	—	1971	Banking, stock broking, general ledger accounting, secretarial, particularly registers, rent and land admin. Proposed: investment analysis, insurance broking, sorp control.
*Tandon & Corsten, Box 1369, Johannesburg. *Telephone Manufacturers of SA, Box 806, Springs.	Siemens 4004 ICL 1902S	L — R	— — ICL 1903A	Oct 1972 — Oct 1967 Oct 1970	Debtors, creditors, stock and sales analyses, commissions. Production control, stock control, debtors, creditors, general ledger, wages, salaries, standard costing, fixed assets, material price variance, engineering specifications, invoicing, work in progress, maintenance and contract, customer cases, transfer of stock.
*Tolkin Thompson, Sand Circle, Bandia, Cape.	NCR C100	L	—	Oct 1972	Wages, debtors, overheads, stores (John Thompson), inventory control (Centurion Grader & Axle Chelmsid), work in progress (W. J. Thomson Tyrer, Johannesburg). Proposed: creditors, main vehicles, selector, production scheduling, work in progress (John Thompson), fleets, production billing, medium, salaries, debtors. Proposed: mid-s, planning integrated with billing, main gateron reporting etc.
*J W Thompson, Sixth Floor, Carlton Centre, Johannesburg.	Rc3000	P	Online to mid-	Jun 1973	At various branches. Sales, debtors work on-bureau.
*Thomson Kinloch (as Leaf Lumbers), **Tiger Oats, Box 8894, Johannesburg.	8 Hobart 620/25 2 NCR 399 ICL 1902A	P — — R	— — — ICL 2903	Nov 1971 — — Dec 1974	Insurance and investment applications General accounting. Accounting, gross and net wages. Proposed: LP and Pert Accounting, statistical management refining
*Tongaat Calculating Centre, 123 Aliott Av, Brickfields, Durban. **Total SA, Box 11217, Johannesburg.	IBM 360/30	R	IBM 370/115	Mar 1975 —	Parts and accessories inventory control, debtors, vehicle tracking and distributors. Proposed: inventory control, payroll, creditors, inventory control (on-line), debtor network control, link purchase and sales accounts.
**Toyota, Box 1832, Johannesburg.	Univac 9x00	L	—	Sept 1973	
*Transvaal and SA Trade Union Assurance, *Transvaal Board for Port Urban Development, Box 1341, Pretoria. Transvaal Clothing Manufacturers Assn, Box 5533, Johannesburg.	NCR C100 IBM Sys 3 15	R —	— —	1970 —	Stores, light, salaries etc.
**Transvaal Coal Owners Association, Johannesburg. Transvaal Provincial Administration, Bag X256, Pretoria.	NCR 500 ELLIOTT 803/30 Nova 800/L	L — — —	— — 65/70 —	— — — —	Coal sales debtors, creditors, stores used for sales work. Farmers supplies accounts, sales debtors, financial accounting, rents, plan and maintenance services, stores control, accounts calculations.
*Trident Building Society, Box 614, Durban.	Klinck 4112	P	—	Jun 1974	Savings, special savings, subscription shares, part-up shares, fixed period shares, mortgage loans, pledge loans.
**Trupet Products, Box 81, Brigton, Tvl.	Mod 4000	L	—	Aug 1974	Invoicing, stock control, various analyses. Proposed: full debtors control, stock system, sundry debugged.
*Trust Bank, Box 7984, Johannesburg.	4 83/30	—	—	— Sept 1974	Invested Johannesburg and Cape Town on-line to branches for banking applications. Computerised budgetary setting to trust.
*Tuffanson Ross Courtis, Box 183, Johannesburg. Tuzsan Municipality, Tzsan. UDOR, Pretoria.	2 PDP11/45 NCR C100 2 IHR1405	P — —	— — R/M5	1974 — —	Work-light rates etc.
*Uitenhage Municipality, Box 31, Uitenhage.	ICL 1901A 2 disk	R	—	Mar 1972	Rates, ratepayers, staff establishment, road licence, electricity, water, debtors, income, expenditure, stores, costs, salaries, wages. Proposed: Consuming from card to disk all current applications, housing, and miscellaneous accounting, consolidating all expenses ledgers.
*Unicorn Consultants, PO Erasmia Mills, Springs	Univac 1106	P	—	June 1974	Wages, salaries, maintenance, stores, budget preparations, order work, sales statistics, costing, linear programming and scientific work. Proposed: production monitoring and control, debtors, general ledger and inventory control. Bureau work for members of Union Corporation Group.
Unicorn Shipping, Pier Road, Cape Town Unilever, SA, Box 216/08, Braamfontein.	IBM Sys 3 15 ICL 1902S	— —	— —	— 1974	Inventor bureau for subsidiaries. Proposed: development of on-line system.
Union Carriage & Wagon Works, Box 335, Nigel. Union Free Mills, Box 393, Johannesburg.	IBM 360 20 ICL 1004	— —	— —	— —	— —

Name and address of user	Machine name and model	Rented, leased, purchased	On order or up-grading	Installation dates	Current and proposed applications
**Union Load Air, Alton St, Germiston.	IBM 360/20	R	ICL 2903	1974	Debtors, stock, financial, creditors, sales analysis, statistics, payroll.
*Union Steel Corp, Box 48, Vereeniging.	83/600	L	—	Dec 1971	Payrolls, commons cases, stock and store control, creditors, sales, planned maintenance, carbons administration systems, sales statistics.
*United Building Medical Aid Society, 27 Eloand St, Cape Town. *United Building Society, Box 7135, Johannesburg. **United Tobacco Companies (South), Box 1924, Industria.	— 2 IBM 370/145 R	P — R	B1728 2 IBM 370/158 —	Jun 1975 Jan 1975 Feb 1975 Nov 1968	Current applications run on bureau machine. On-line real time accounting system, to be expanded into a full central information system. Sales statistics, debtors, payroll, general accounting, stocks, stores, creditors. Proposed: production, purchasing.
*University of Cape Town, Rondebosch. University of Fort Hare, Cape. University of the Free State, Bloemfontein. *University of Natal, King George V Av, Durban. *University of the North, Sovenga.	Univac 1108 Varian 620/i ICL 1901 ICL 1902A B 7700 IBM 1130	R — — P P R	— — — — — Additional memory and 2 disc drives	— Dec 1970 — — Oct 1972 Sept 1973	Research, teaching and administrative projects. — — — Not given. Used for administration, and departments of computerscience, zoology, applied mathematics, physics, education, sociology and psychology for administration, education and research.
**University of Port Elizabeth, Port Elizabeth.	ICL 1901A	R	—	Sept 1969	Student records, debtors, creditors, nominal ledgers, loans and bursaries, salaries, statistical analysis, student work, eg chemistry and physics.
**University of Potchefstroom, Potchefstroom. University of Pretoria, Box 392, Pretoria. University of South Africa, Pretoria. *University of Stellenbosch, Stellenbosch	2 IBM 1130 IBM 370/135 IBM 360/50 IBM 1130 B6500 IBM 360/50 IBM 360/30 Varian 620/i Varian 673	R — — — R Univac 1110 Synchronised B1700 Varian 620/i IBM 360/30 IBM 370/145 IBM Sys 3/10	— — — — — Jan 1975 — — — — R — P — P —	Dec 1967 — — — — — — — — — — — — — — —	On-line administration payroll, commercial and scientific and student programs. — — Research and administration work. Research and education.
*University of the Witwatersrand, Johannesburg.	B1700	P	vopnafe	May 1967	Education, scientific and commercial data processing.
University of Zululand, Vaal Potteries, Vereeniging. *Van Achterbergh S.M. Box 233, Ixonbo.	— — NCR C100	— — P	under model option — B1700 —	Mar 1972 Jan 1974 1974 — Apr 1970	Education and administration. — Wages, salaries, debtors, creditors, bill of materials, contract analysis.
*Vandenbosch Town Council, Vanderbijlpark.	NCR C100	R	NCR C151	Apr 1975	Rates and electricity billing, assessment rates, sewer and refuse billing, valuation rolls, audits, debtors, income and expenditure, stores, transport, studies, wages, salaries and salaries. Proposed: housing creditors.
*Van Ryntum Papier-Greers Box 21211, Johannesburg. **Veach, Box 8, Vanderbijlpark.	Alcatel MEL 55 IBM 370/125	L — R	— — —	Jun 1974 — Jun 1973	Integrated debtors and stock. — Production system, integrated personnel system and financial system, stores and creditors system, foundry costing system.
Vehicle Operating & Maintenance, Box 2600, Johannesburg. *Veldspat Sportsman, Box 533, Port Elizabeth. *Vereeniging Municipality, Box 74013, Vereeniging.	IBM Sys3 10 IBM 360/20 — Singer 1eah Sys 10 — Siemens 4004/121	— R — L — — — —	— — — on-line 1eah Sys 10 registers —	— Jan 1970 — May 1974 June 1975 — Aug 1974	— Sales, production, costs, debtors. Proposed: creditors. Rates, electricity accounts, correspondence, bulk salaries and personnel records, control, cost, county budgeting, engineering applications. Wages, salaries, production, control of stock, debtors. Proposed: on-line and management information system.
Vereeniging A.A. Tvl, Box 41295, Johannesburg. **Vereeniging, Box 3451, Johannesburg.	ICL 1904 IBM 360/22	— P	— —	— Apr 1967	— Debtors, trading accounts, salaries and sales analysis.
*Vinkeveld, Box 578, Pretoria.	IBM 360/30 IBM 370/145	R R	IBM 370/145 In recess 360 export	1967 1974 1975	Current account and savings (on line), foreign exchange, share registers, debentures and loans and deposit. Proposed: branch audit, investing development, inventory control of stationery items.
*Volkswagen of SA, Box 80, Uitenhage. **Volskrat, Koppiespan, Box 1361, Rand, 2913.	IBM 370/125 NCR C100	R L	— —	Aug 1974 Feb 1973	Share system, wage payments, cost work and out debtors, commercial stock control, salaries statistics. Suburbs and bowler analysis.
Western Areas Gold Mining, Carletonville. **Wesbank Bank, Box 61854, Marshalltown.	IBM 1440 HP 21MX IBM 360/40 IBM 360/30	— P R R	— IBM 370/145 370/145	1974 Sept 1970 March 1974 Dec 1974	— Credit card system, instalment debtor system, commercial banking, savings system, general ledger, mortgage participation investment accounting, accounts, salaries.
**Whipp Tyler & Durrell, Johannesburg. Nelspruit Rosenview. Box 1402 East London.	Singer Sys 10 ICL 1901A	— L	— Upgrading to ICL 2903 on-line Dec 275	— Sept 1975	Subsidy, invoicing, purchasing, investors current wages, salaries, costing, sales statistics capital expenditure, machine maintenance order, production planning.
Windpark Town Council, Box 2 Windpark.	NCR C100	P	—	1970	All municipal accounts up to main ledger and market system.
Windsor & Co, Box 995, Cape Town. **Worcester Municipality, Box 37, Worcester.	B1718 2 NCR 500	— P	— —	— 1968 1971	Wages, salaries, water and electricity, housing, rates, income & expenditure, rents, housing loans, sales, system, debtors, etc.
**Workmen's Compensation Commissioner, Pretoria. **Yorkley, Erasmia Avenue, Epping, Cape.	ICL 1901A ICL 1901A	R R	— R2020	Feb 1972 Jan 1975	Various. Bill of materials, raw material stores, etc

* Based on 1973 replies
** Based on 1974 replies

Senator CLARK. Management magazine in South Africa printed a list of computers in South Africa, including a list of some of IBM's customers. I have a copy here. Is that list basically accurate? The latest figures are what?

Mr. JONES. Senator, I can't answer you whether it is or is not. It looks reasonably accurate, but I can't tell you just from looking at this.

Senator CLARK. Maybe you can supply that for the record after you have had time to look at it more closely.

[See p. 690.]

IBM AFRICAN COMPUTER INCREASE

Senator CLARK. The latest figures from some sources show IBM with more than 250 computers out in Africa. Has this increased in the past few years?

Mr. JONES. The answer is yes, it has. Our growth rate in South Africa in our South African business has been healthy and it has probably increased somewhere around 15 or 20 percent a year.

Senator CLARK. Over the last 5 years?

Mr. JONES. You mentioned 3 years.

IMPACT OF TAX CREDIT REMOVAL

Senator CLARK. OK. What would be the impact of the removal of tax credits on IBM's ability to continue to operate in South Africa, in your judgment? That is a question we are asking each company.

Mr. JONES. In South Africa, as I have already testified, IBM's business is extremely small by comparison to our total business. So the impact would be very modest.

However, I hasten to point out that the foreign tax credit is not a carrot or a stick, in my opinion. The tax credit is a method to allow companies making foreign investments abroad not to have double taxation. The South African tax rate is 48 percent. If you then tax the same income 48 percent, it would obviously become very undesirable for us to continue to do business in South Africa.

I believe, rather than to do that, that the U.S. Government ought to make a decision whether it is a good policy or a bad policy to have American companies in South Africa and if it is a bad policy, change it. If you change it, I will tell you we will leave South Africa. But I don't think the way to do that is a carrot and a stick thing by taxation.

Senator CLARK. I thank you very much for your answers. I think I should give Ms. Davis and Mr. Neuhauser an opportunity to say anything they would like since I have no questions of them. Obviously, Mr. Jones, if you have any comments at any point, you might make them as well. I don't want to cut you off.

Ms. Davis.

Ms. DAVIS. I don't particularly have any questions at this point. I think Mr. Jones has had enough questions this morning.

Senator CLARK. Mr. Neuhauser.

SALES CRITERIA POSSIBILITY

Mr. NEUHAUSER. I would have one or two comments. The first is on the question of whether it is possible to have criteria. You cited, Senator, the statement of Control Data. I believe that there are a couple

of other examples which might be given of American corporations which have said that they would not sell to the South African Government. As far as I know, they have not been kicked out of South Africa. One such corporation is Polaroid, which said several years ago, in 1971 I believe it was, that it would not sell equipment to the South African Government for use in that Government's personal identification or pass system.

Polaroid has said:

> We have a responsibility for the use of our product. . . . We as a corporation will not sell our products in instances where their use constitutes a potential abridgment of human freedom.

The criteria to be used by Polaroid in deciding when to sell its product is therefore not unlike the criteria established by Control Data.

Senator CLARK. I think ITT—International Telephone & Telegraph—has made a similar statement.

Mr. NEUHAUSER. ITT has, indeed, made a similar statement. I don't have the quote in front of me, but basically they will not sell electrical equipment to the police or to the military in South Africa. That policy has been announced publicly for about 9 months, and as far as I know, ITT is still operating in South Africa.

It seems to me that it is therefore possible for American corporations to establish criteria concerning their sales in South Africa and that IBM could, if it wished, decide not to sell to the South African Government without causing its South African affiliates to be kicked out of that country.

I would be very curious as to IBM's answer to the questions which I thought you were going to ask, Senator, but which you did not; namely, first, whether or not IBM would today bid on the black passbook system as they did in 1965; second, whether they will apply some criteria in their sales to South Africa; and third, whether they will be willing to articulate publicly any such criteria. They seem to imply they have some criteria which they presently apply since they say that they examine each individual decision. However, it is quite unclear when they say they look at the decision purely as a business qustion, what matters they consider in deciding the business question, and whether among the matters considered are the "moral" aspects of the decision.

Senator CLARK. Any other comments before we go to Mr. McCreary?

SOUTH AFRICAN SITUATION IMPACT ON QIT INVESTMENT

Mr. McCreary, you have been to South Africa recently. I wonder, just in a general way, if you could report on the situation as you see it evolving and its impact on your business plans there? In other words, we have gone through a very difficult period for about 3½ months with a number of uprisings in many areas.

How does that impact on your own thinking now that you are about to go in there with very heavy investments?

Mr. MCCREARY. Mr. Chairman, let me state first off we are well into this investment.

Senator CLARK. Yes.

Mr. McCreary. We have expended roughly 20 to 25 percent of all of the moneys.

Senator Clark. Your total investment would be what?

Mr. McCreary. Our total investment would be $114 million out of the $290 million. Certainly it is very disturbing that the riots occurred in Soweto in June and that they continue and that they spread.

I am happy to report that as of today, there apparently is quiet in the country.

Certainly, if the project was brought up today, it would be more difficult for people, I think, to come to an affirmative decision to go forward. I would think they would probably want to wait to see how it comes out, to see specifically how Secretary Kissinger's efforts come out.

For my own part, I would have no difficulty in recommending the investment once again. But there is no question about it, it is a very disturbing development. But in our operations, it has had no impact. As I indicated I think in my presentation, we do take comfort from the fact that Zululand all has been quiet with the exception of the University of Zululand in June where they burned the administration building.

QIT LAND STATUS

Senator Clark. You talk some in your statement about this, but could you describe further the status of the land on which you plan to develop your mine? That is, there seems to be some question about whether it really falls within the South African Central Government area of what is called the white area or the homeland. Has that been settled yet? Are you within the homeland or are you not?

Mr. McCreary. Mr. Chairman, it is perfectly clear where the land is today. It is within KwaZulu. It is within the homeland.

Senator Clark. I see.

Mr. McCreary. But we understand that in June 1973, which was before we got into this thing, their Parliament had as part of its overall planning for the homelands and the white areas, they came to the conclusion that it was going to take this land out of KwaZulu and give KwaZulu an equivalent amount of other land which was, in their view, agriculturally more suited.

The land where our mine is is just sand dunes. That is all it is. It really isn't good for anything. But, be that as it may, we of course are not involved in this. Our input is not something which is important. It is something between the KwaZulu Nation and the Central Government. We are content, if you will, to paying a substantial royalty, which I might add, we as a North American investor were quite insistent on with our South African partners, that a fair royalty be paid and that it be paid irrespective of whether or not we made a profit.

Senator Clark. Paid to whom?

Mr. McCreary. It would be paid to actually the representative of the KwaZulu Nation, which is the Bantu trust.

They in turn take the money and dispense it for the benefit of the homelands.

It is my understanding that, for example, the new capital of KwaZulu—that money does not come from KwaZulu because they don't really have any, but it comes from the Central Government.

Senator CLARK. We were just speculating and I hadn't thought about this before in reading your testimony, but you have gone into this area, into what is clearly presently a homeland. I mean it is within the geographic area of the homeland.

Mr. MCCREARY. That is correct.

Senator CLARK. The KwaZulu homelands.

Mr. MCCREARY. Exactly.

Senator CLARK. But it is your understanding that Parliament is going to say, or has now said, that this territory will become a part of the Central South African Government. Has that taken place yet or what is the status?

Mr. MCCREARY. As I said, no, that has not taken place. As indicated in this statement which we have here:

> The move is expected to occur within 3 to 5 years when water, schools, medical facilities, roads, and other essential infrastructure have been completed in the new area.

Senator CLARK. The new area that they are going to be assigned to?

Mr. MCCREARY. That is correct.

Senator CLARK. That is presumably agriculturally more fertile?

Mr. MCCREARY. That is the explanation which is given, yes. I should add whether or not this will ever take place is something for conjecture at the moment.

Senator CLARK. I bet there are no minerals contained in the new area that has been assigned to them.

Mr. MCCREARY. This is not, as I understand it, taken in order to deprive them of the mineral deposits. It is certainly quite clear that that is a conclusion that many people might come to, but my understanding is that is not the case.

QIT ROYALTY PAYMENTS

Senator CLARK. You pay the royalties to the South African Government, not to the Bantu administration?

Mr. MCCREARY. Yes, it is called the South African Bantu Trust, a corporate body formed in 1936 with the aim of acquiring and developing land for the Bantu. The trust is administered by the Minister of Bantu Affairs and a fund, therefore, is annually budgeted by Parliament for the trust to acquire land for the development of the homelands as well as for the general welfare of the Bantu people.

Senator CLARK. So that the money you pay goes to the South African Government to the Bantu trust, and the South African Government in turn decides apparently how to spend that in the homelands?

Mr. MCCREARY. I think that is probably a fair comment. The word "trust" is important. It is in trust for the homelands. It is not to be used for any other purpose.

QIT SMELTER PLANT LOCATION

Senator CLARK. You built the smelter actually outside the homeland, didn't you?

Mr. MCCREARY. That is correct.

Senator CLARK. Why so?

Mr. MCCREARY. There is no particular significance to that. I might point out that in Canada, our mine, which is located at the mouth of the St. Lawrence, is 650 miles removed from where the smelter is. It is just outside of Montreal.

The land which is within KwaZulu simply was not appropriate. It wasn't firm enough for us to build a smelter on it.

Senator CLARK. That was just an accident that you built it outside? Do you remember what the motivations were for that?

Mr. MCCREARY. As I say, it had absolutely no motivation whatsoever whether it was in or out.

Senator CLARK. I assume you would want to build it as close as was practical?

Mr. MCCREARY. That would be true. But the point is you must find land, first of all, which will support the tremendous weight of this smelter, which must be large enough to take care of the smelter and all of the ancillary facilities.

Senator CLARK. Is that the case here? Is that why you moved out?

Mr. MCCREARY. That is exactly it. It isn't quite fair to say we moved out.

Senator CLARK. I am sorry. That wasn't fair. You were established someplace else.

Mr. MCCREARY. That is right. The other thing would have been to establish it right on, you might say, the sand dune or a swampy area, which the engineers would never recommend.

Senator CLARK. Had it actually been built in the homeland, it would have been more beneficial to the blacks in that homeland, though, I assume, would it not?

Mr. MCCREARY. I don't really think so because we wouldn't have paid a royalty on the smelter. We paid a royalty on the extraction of the minerals and the fact that the smelter was located within the Bantustan.

Senator CLARK. Are there more job opportunties?

Mr. MCCREARY. It has absolutely no impact on it because we are right there on the borders of Zululand. The majority of our workers will all come from Zululand. There are approximately over 600 of them, and the great advantage to KwaZulu in our being there is the fact that the Zulus can obtain jobs right there where they live as oposed to going to the big cities with all of the problems of migratory labor and being away from their families.

Senator CLARK. But they will have as much opportunity with the smelter where it is as if it had been within the borders?

Mr. MCCREARY. Absolutely.

[The following information was subsequently supplied:]

MEMORANDUM

QUEBEC IRON AND TITANIUM CORPORATION

June 1973 South African Parliament Plan That the Deposit Now Located Within KwaZulu Become State Land

While the smelter and the ancillary facilities are all within the State of South Africa, the mine itself is within Bantu Reserve 4, which is presently owned by the South African Bantu Trust, a corporate body formed in 1936 with the aim of acquiring and developing land for the Bantu. The Trust is administered by

the Minister of Bantu Affairs, and a fund therefor is annually budgeted by Parliament for the Trust to acquire land for the development of the Homelands as well as for the general welfare of the Bantu people.

During June, 1973, before O.I.T. became interested in the mining venture, certain plans developed in previous years in respect of the consolidation of Zulu areas, were approved by Parliament. These plans, in no way related to mining activities in the area, will result in Bantu Reserve 4 becoming State land, and the Zulus thereon moved some 25 miles to more suitable farmland which has already been purchased from white farmers by the Trust. This move is expected to occur within 3 to 5 years when water, schools, medical facilities, roads, and other essential infrastructure have been completed in the new area. An annual royalty totalling some $3.9 million once full production has been achieved will be paid to the Bantu Trust. When the State becomes landlord under Q.I.T.'s mining lease, the Trust will either continue to receive the royalty payments or will receive a lump-sum payment from the State based on the value of the royalty over the life of the ore deposit.

UHULUMENI WAKWAZULU,
KWAZULU GOVERNMENT SERVICE,
KWAZULU-REGERINGSDIENS,
IHOVISI LIKA, OFFICE OF THE KANTOOR VAN DIE,
KwaZulu, South Africa, January 20, 1976.

Mr. FRANK MILLIKEN,
Chairman of the Board, Kennecott Copper,
161 East 42d Street, New York, N.Y.

DEAR MR. MILLIKEN: As we discussed with you when you were in South Africa the kwaZlulu Executive Council favour the investment plans of Kennecott in or near kwaZulu. This we have asked for not just on any terms as we have always emphasized with every new investment. We need job opportunties for our people particularly as in this case where they will be able to live with their families and work where the ravages of migratory labour will be avoided. At the same time we expect our people not to be discriminated against as far as employment opportunties are concerned. We in kwaZulu also favour labour Unions for our people rather than the present system of Works Committees favoured by the Central government.

The issue of Richards Bay is a matter between us and the government of South Africa. We claim this area as part of our kwaZulu territory, and we have repeatedly told the government of South Africa, that we can never give it up, as to become a White enclave within kwaZulu. We however would not benefit in any way if this area remains undeveloped whilst our disputes with the Central government are going on. The whole of kwaZulu and other so-called Homelands were by-passed by development scores of years ago. In a way this has complicated the problems of South Africa in that our people have been forced to go to the Metropolitan areas in order to earn a living. This is at the root of the migratory labour system, which has destroyed black family life, owing to the application of influx control and the pass laws. It would therefore be most regrettable, if opportunties for my people to get jobs at their door steps would not be forthcoming as is envisaged if you do not go ahead with this venture. I do not pretend that you can solve the problems of South Africa for us. This would be too oversimplistic a view. It would be as oversimplistic as the view held by those who think that by disinvestment alone the Pretoria Regime will be brought crumbling down. We would be expecting you to liberate us which is not your job, but ours. This is a matter that will be solved by South Africans within South Africa.

I do want to emphasize that we do appreciate the concern of the Churches concerning the whole question of promoting human rights in Our Country. I applaud any method of bringing about such a change as we all desire in South Africa through non-violent means. I regard their pressures on investors as an example of using non-violent methods to effect changes in policies here.

At the same time you will recall that I am Conservationist, and I am therefore deeply concerned that your project should not be a hazard to our ecology, or further compound our problems which are created by pollution.

With my best wishes.

Yours sincerely,

M. G. BUTHELEZI,
Chief Executive Councillor: KwaZulu.

QIT/IDC PARTNERSHIP IMPACT

Senator CLARK. What would be the impact of your partnership with IDC on your ability to follow progressive employment practices?

Mr. MCCREARY. Actually, it is a very constructive development that we have with this agency of the government because their charter is to promote the industrial development of the country. They are perfectly clear that the way that can be done is to attract foreign capital, foreign investment. So that they agree with us completely as to the way we should proceed with this investment.

We had a meeting there in Johannesburg just 2½ weeks ago with all of our partners and there is complete agreement on how to proceed.

Senator CLARK. What standards have you set for yourselves?

Mr. MCCREARY. We have set really the same standards which Mr. Jones has been speaking about today. It is exactly the same as some of the other American companies have gone over in their testimony. We must recognize, of course, that we are just in the initial stage of construction so we have no history.

Senator CLARK. I understand that.

Mr. MCCREARY. But the policy is crystal clear. As I say, it was agreed to by all the partners 2½ weeks ago today. And that is to treat all of the employees equally with respect to pay and fringe benefits just right down the line. There is no problem on that.

Senator CLARK. We are going to hold these hearings hopefully each year. Maybe we can call you back in 2 or 3 years and see if you have met IBM's standards.

Mr. MCCREARY. Their standards may have changed by then.

INVESTMENT RETURN ESTIMATE

Senator CLARK. I will say their present standard. How long will it take your company to recapture its investments, in your judgment? How many years will that take? I am trying to think in terms here really of what is happening and the purpose of the question is to think in terms of what is happening—the social changes, the political. I don't know that there are any political changes, but the possible political changes. I want to know what impact that will have on investment.

How many years do you think it will take until you get that investment back?

Mr. MCCREARY. We will get our investment back by the year 1984.

INVESTMENT SUPPORT OF APARTHEID SYSTEM

Senator CLARK. A number of critics have suggested that further U.S. investment at any time is interpreted as support for the system. How do you think of your investment? How do you think it is viewed by the South African Government, by those within South Africa?

Do you think you support the system through these investments? How do you think the whites and the blacks and the others would view this kind of investment?

Mr. MCCREARY. Senator, it seems to me that in any country in which you invest, wherever it is in the world, the investment can be interpreted as a support for that system. Whether it is in fact or not is something else.

But certainly this much is clear, that North American companies, I do not think, should go into foreign countries with the idea of subverting the government. They don't have to agree with all of the policies of the government any more than the citizens of this country agree with all the policies of its government. Whether they support it is something else.

We don't feel that we are supporting apartheid. On the contrary, we feel that by promoting the industrial development of South Africa this in itself will lead to the breakdown of the apartheid system in that we need these additional workers, we need the blacks, they will be brought into the industrialization of the country and as such they will gradually move away from this apartheid system.

ROYALTY PAYMENTS TO BANTUSTANS

Senator CLARK. In terms of the KwaZulu operation which you are about to start, where the royalty payments go into the Bantu trust and then that is probably kept in trust, if that territory, as the Parliament has indicated, is going to be transferred out, then you are not going to be paying any more royalties to the Bantustans, are you?

Mr. MCCREARY. That is not my understanding. My understanding is that, should this happen, when the state becomes the landlord under the mining lease, the trust will either continue to receive the royalty payments or will receive a lump-sum payment from the state based on the value of the royalty over the life of the ore deposit.

Senator CLARK. But the South African Government will make an estimate of the total value?

Mr. MCCREARY. Of the royalty.

Senator CLARK. Or pay the trust?

Mr. MCCREARY. Yes. It is not unlike a condemnation proceeding in this country.

Senator CLARK. You have a very strange situation in South Africa because on the one hand we talk about those homelands being independent at some point or semi-independent, and in some ways they are already handled differently than the South African Central Government itself or the territory itself.

Is the annual royalty which you speak of in your testimony based at all on the values of the mineral extracted?

Mr. MCCREARY. Yes, that is exactly what is is based on, the estimate of the value of those minerals.

Senator CLARK. If the minerals go up in value, does your royalty go up?

Mr. MCCREARY. No.

Senator CLARK. It is established?

Mr. MCCREARY. It is established because otherwise it is extremely difficult in the negotiations with any country when you get in this business of value because, on the one hand, if you sell the product without making any profit then the company argues that it has no value and therefore no royalty is paid.

The idea is not to extract the minerals from a country and not compensate them in the form of a royalty. The idea is to compensate them whether you make money or not, on the theory if you don't make money that is your fault and not theirs.

Senator CLARK. The time has really gone far beyond what I had hoped to ask you to stay. I think I will end at this point, except I would like to give any of you an opportunity to say anything that you may wish to add at this time.

Ms. DAVIS. I wanted to say, Senator Clark, what the basis was for the development of ——

Senator CLARK. I can't hear you.

BLACK TRADE UNIONS

Ms. DAVIS. I was wondering why the decision was taken to have work committees and liaison committees and what the position of the company is on the formation of trade unions and whether the black worker would, in fact, be allowed to have trade unions.

Senator CLARK. What is your view of that?

Mr. MCCREARY. I understand there is no prohibition against a white worker having a trade union.

Senator CLARK. None at all. Her question is about the blacks.

Mr. MCCREARY. I understand. But whether or not there is a trade union at the moment with respect to this, you might say really unique mining enterprise, of which there is just no other example in the country at the moment, the reason why we had mentioned works committees and liaison committees is that that is the existing framework.

And our basic position is to have the workers select whatever means they may wish to select. The works committee happens to be something which is recommended under which the blacks can organize themselves and in which they can get together on a leader or representative.

That representative could then participate in the liaison committee, which is a mixed, white and black thing. In this form you can get together and discuss your grievances or whatever they want to discuss.

Senator CLARK. If a black union were to form informally, as they have in some cases but not under the law, would you be willing to deal with them?

Mr. MCCREARY. Absolutely. We just mentioned this works committee because that happens to be an accepted form of talking to the employees. If they would rather talk out in their backyard someplace, we would do that. The form is not important. The substance is.

BLACK SUPERVISORY POSITIONS OVER WHITES

Senator CLARK. I asume you will follow the customs of all businesses and manufacturers in mining in South Africa to the extent that you will not have blacks in any supervisory position over whites.

Mr. MCCREARY. Senator, that is not completely clear at all with respect to this operation at Richards Bay. Of course, the problem here is whether or not the whites will accept, in fact, the black supervision. That has been a problem in this country. Certainly in the forties it was a great problem.

Senator CLARK. And in the seventies.

Mr. MCCREARY. Yes. And today. There are certainly problems even within ethnic groups of whites here in this country and possibly in South Africa, that the Afrikaners resent being supervised by an Englishman and the reverse.

It is a question of whether at that local scene the white is willing to accept the supervision of the black and, if he is not willing to accept the supervision of the black, it may be that what you have to do is find a white who will accept it. But it is not all that clear that this will not come about.

Senator CLARK. Does anyone else have anything they would like to say?

EQUAL OPPORTUNITY FOR BLACKS

Mr. NEUHAUSER. There are one or two final things I would like to comment on. First of all, in your statement, Mr. McCreary, you quote from Chief Buthelezi's letter, which says, "As we discussed with you when you were in South Africa, we favor the investment plans of Kennecott in or near KwaZulu."

It seems to me quite relevant that the next few sentences of that letter, which you omitted, are quite relevant. Chief Buthelezi goes on to say, "At the same time we expect our people not to be discriminated against as far as employment opportunities are concerned." In the following sentence he says that they want genuine labor unions, not "the present system of works committees, favored by the central government."

I certainly was very encouraged by your statement, Mr. McCreary, that you are going to have equal opportunity. However, I was a little surprised to have you leave out that key sentence concerning discrimination from Chief Buthelezi's letter and then come around in the next breath and say:

> We are going to have equal opportunity, particularly when in the mining industry in South Africa there is normally a very large gap between the highest-paid black and the lowest paid white.

I take it that that pattern won't be followed in your operations, Mr. McCreary?

One or two other quick things. I think it was most remarkable today to find out that there really are no bad actors in South Africa. American corporations are fine. Corporations of other nations are also fine. Then, most remarkably, we are told that the government itself doesn't discriminate and that it is very happy to have equal pay and equal opportunity for everybody. I therefore gather there is no problem down there and that there are no bad actors in South Africa. It is all a myth and blacks are treated just like whites. A most remarkable picture.

U.S. POLICY TOWARD SOUTH AFRICA

Finally, I would like to make a general comment about U.S. foreign policy. If we hypothesize that southern Africa, including the Republic of South Africa, is in the midst of tremendous change which will result within a relatively short time in black majority control of southern Africa, doesn't it make sense for the United States to be both on the side of freedom and also to be on the winning side?

Wouldn't it be marvelous if we could have the two coincide and support both freedom and the victors? Enlightened self-interest dictates, I think, that we separate ourselves from the present regime. We should cut back our economic support of, and our identification with, that regime. Enlightened self-interest indicates that we should neither increase our investments there nor sell high technology products to the present government.

Mr. McCreary. Mr. Chairman, may I reply to some of these points?
Senator Clark. Sure.

CHIEF BUTHELEZI'S LETTER TO QIT REPRESENTATIVE

Mr. McCreary. First of all, the reason for, of course, not setting forth in my text the full letter of Chief Buthelezi is the time limit of 10 minutes. I found I was actually 3 seconds under 10 minutes. As part of my presentation, the entire letter of Chief Buthelezi is before this committee. In the proxy statement of Kennecott Copper Corp. earlier this year, the entire letter was set forth.

As far as there being no bad actors in South Africa, I am sure there are bad actors there as there are in every country including this one.

BLACK EQUALITY

But I think it is interesting to note that in the statement of Jerry Funk, the deputy director of the African American Labor Center, AFL–CIO, he said, and it seems to me this is quite correct:

> There is no law which prevents an employer from raising wages. There is no law which prevents an employer from training a black man for any job. And exceptions to the job reservations regulations are easily obtainable, given the shortage of skilled labor. There is no law which sets a limit on fringe benefits which may be given to black workers. And there is no law which prevents the employer from dealing with a black union in good faith, should he choose to do so.

Senator Clark. Yes, I remember that testimony. His point was that there is no reason why there could not be a legal system, with complete equality for all blacks in South Africa.

The question is whether there is. And we all know there isn't. Whether that is because of the legal system, he is arguing that it is not. It is because American companies and foreign companies and South African companies have simply not offered those opportunities, but that it is not a legal restriction.

Does anyone else care to speak at all?

INVESTMENT WITHDRAWAL FROM SOUTH AFRICA

Mr. Jones. I would like to state, on the remarks about withdrawing from South Africa, that it seems to me that the course that the U.S. Government is on is to help in a peaceful evolution. As I stated in the letter from the State Department, it seems to me that every time comments are made about withdrawal, everybody should realize that withdrawal in fact means that we are just pushing them toward a holocaust which, if it ever comes, would be a horrendous bloodbath.

Senator Clark. Anyone else care to comment.

Thank you very much for staying so long. Your presentation was very helpful to us.

I do want to put in the record at this point today's International News summary on Africa. I would ask that it be put in the testimony.

[The information referred to follows:]

U.S. Senate,
Committee on Foreign Relations,
Washington, D.C., September 29, 1976.

To: All Members.
From: The Chairman.
Compiled by: George Kroloff.

INTERNATIONAL NEWS SUMMARY

Africa

Africans seek black rule in four to six weeks as the two year transition period to a majority government in Rhodesia is rejected by Tanzanian President Nyerere and others. A diplomatic source tells the Washington Post that Rhodesia and S. Africa would regard immediate black majority rule in Rhodesia as totally out of the question . . . that Rhodesia's rival black leaders would be thrown into an "Angola-type civil war" if that occurred.

Meanwhile, Rhodesia's government suggested the US had misinformed and possibly misled its officials last week. Surprise was expressed at the idea the plan they accepted was merely a bargaining position not a final deal and that Smith might not be present at the conference to set up an interim government (WP p 1, NYT p 7).

At the UN, Russia claimed the US southern African initiatives were "political gimmickry and financial handouts". The Mauritius Ambassador, representing the OAU, charged the US is secretly planning to guarantee S. Africa's frontiers, station US military in Namibia and involve NATO in its dealings with S. Africa. The US said the allegations "do not warrant a civil reply", (WP p 2). There is growing sentiment at the UN for stronger measures against S. Africa, says the NYT (P 5).

Kissinger told NBC he believes a breakthrough has occurred but "There is going to be a lot of rhetoric in the next few weeks" because "each of these leaders has his own constituency" (WP p 20). Kissinger continues to predict rapid progress in upcoming Rhodesian talks (NYT p 8).

"Rhodesia peace plan given 60–40 chance," headlines the Christian Science Monitor. Speed is the essence. A long delay gives the Russians more opportunity to suborn one of the more radical African leaders or movements (p 1).

Many white S. Africans are leaving the country or buying guns in the wake of recent rioting by blacks (Sun p 4).

S. Africa's official radio said Cuban-led Angolan troops slaughtered 500 persons in southern Angola and hundreds of refugees were fleeing the area (WP p 21). Meanwhile, refugees from Portugal's former colonies of Angola and Mozambique continue to arrive in Lisbon but the government's refuge service is short of funds and the country has high unemployment. The government is anxious to send the refugees away (Sun p 4).

Controversial diplomat G. McMurtrie Godley will be nominated for the ambassadorial post in Ethiopia (WP p 12).

Senator CLARK. The committee is recessed until tomorrow morning.

[Whereupon, at 1:20 p.m., the committee was recessed, to reconvene at 9 a.m., Thursday, September 30, 1976.]

SOUTH AFRICA

U.S. Policy and the Role of U.S. Corporations

THURSDAY, SEPTEMBER 30, 1976

UNITED STATES SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS OF THE
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to notice, in room 4221, Dirksen Senate Office Building, Hon. Dick Clark (chairman of the subcommittee) presiding.

Present: Senator Clark.

Senator CLARK. The committee will come to order.

INTERNATIONAL NEWS SUMMARY ON AFRICA

I would like to start by reading the international news summary of the Committee on Foreign Relations on Africa. I might read those into the record very quickly.

Britain called for a conference of black Africans and white Rhodesians in the next 2 weeks at any acceptable southern African location. African leaders meeting in Botswana to celebrate its independence reacted positively to the conference proposal. Meanwhile Ian Smith said he has persuaded the conservative wing of his parties to give its support for early black rule.

Rival Rhodesian leaders will meet in Mozambique this week to try for a united front with Rhodesian officials.

Kissinger met with Sam Nujoma of the United Nations. Neither would say chances for negotiations between South Africa and SWAPO were enhanced. Kissinger said he expects an eventual Mideastern meeting. SWAPO and South Africa are expected to be among the attendees according to the United States officials.

Yesterday, IBM defended its sales of computers to South Africa before the African Subcommittee.

OPENING STATEMENT

For the past 2 weeks Secretary of State Henry Kissinger has been actively engaged in trying to construct a process for a peaceful transition to majority rule in Rhodesia and Namibia. Although we had been somewhat pessimistic about his chances for success, we certainly supported the Secretary's effort and were pleased that the United States—which for the past 6 years has really not taken a major interest in Africa—has now begun efforts to speed the resolution of what has long been Africa's greatest concern: Black rights in southern Africa. We hope, along with the Secretary, that his belief that the trip has indeed initiated a process toward that goal proves correct.

Whether majority rule comes to Namibia and Rhodesia through the peaceful process endorsed by Secretary Kissinger or through a more violent course remains in question. It is a change that must come not only to Rhodesia and Namibia, but to South Africa as well. It is important that U.S. efforts to initiate a process of change in Rhodesia and Namibia in no way inhibit our efforts taking place elsewhere in South Africa.

It is clear the real issue for southern Africa in the long term is the racial policies of the South African Government. For the past several weeks this subcommittee has been looking at the U.S. relations, both commercial and political, with South Africa. We have reviewed the formation of U.S. foreign policy labeled by its critics as the "Tar Baby Option," which was seen by many as a title favoring white interests in southern Africa.

We have also looked at the current situation in South Africa and have discussed with representatives from a number of American companies the impact of South African and United States Government policies on their role in South Africa. We have learned that U.S. policy and corporate conduct do not always follow the same path.

For example, the State Department urges companies to follow progressive labor practices. It is clear that not all do. The United States has a policy against sales to Rhodesia; such sales may go on from United States subsidiaries in South Africa with little attention paid to home office or United States foreign policy.

At the same time, we have learned that United States commercial interests in South Africa are large and loom larger. To some degree these interests affect U.S. policy. To some degree they may also be affected by U.S. policy. Having reviewed the conduct of American companies in South Africa, we seek today a better idea of our policies toward South Africa and how, if at all, the conduct of United States corporations might be brought to more accurately reflect United States national interests there.

WITNESSES

We are going to start this morning with a statement from Congressman Stephen Solarz, House of Representatives, a Democrat from New York, who has recently traveled a good deal in southern Africa, and is particularly interested in the Rhodesian and Namibian South African questions.

Will you proceed, Congressman, in any way you think appropriate.

STATEMENT OF HON. STEPHEN J. SOLARZ, A REPRESETATIVE IN CONGRESS, 13th DISTRICT, STATE OF NEW YORK

Mr. SOLARZ. Thank you very much, Senator.

I want to begin by taking this opportunity to let you know based on my recent trip through southern Africa—where I went to South Africa, Rhodesia, Mozambique, Zambia, and Tanzania—that while your own name is not quite yet a huthold word throughout the African continent, you have, I think, clearly emerged in the eyes of many of the leaders of black Africa as a symbol of a new American concern long overdue, I might say, with the developments on the African continent.

I think these hearings today are most welcome as a means of focus-

ing attention in the Congress and in our country on the situation in that critically important part of the world. I think it is probably fair to say that there are few areas of the world where we have more at stake, but about which the American people, and indeed even the Congress of the United States, knows less than the situation in southern Africa.

I think you have really led the way in the effort to focus attention on this situation. I thought it might be useful, very briefly to share with you some impressions which I gathered during the course of my trip. I suppose I might begin first with a disclaimer by saying that I had intended, until the events of the last week, to come before you on my appointed day in order to announce that the possibilities for a negotiated transition to majority rule in Rhodesia range somewhere from nil to negligible.

I was reminded somewhat of the story which is told about the 1936 presidential campaign when FDR [Franklin Delano Roosevelt] was scheduled to deliver a major address in a stadium in Pittsburgh, from which 4 years earlier he had publicly announced that if elected President he would balance the U.S. budget. For the following 4 years we had had the most unbalanced budget in the history of the country.

He had a skull session one day with all of the advisers and his staff and they were trying to figure out how he could reconcile this conflict between his campaign promise and his governmental performance. Finally Sam Rosamint, one of his chief speechwriters, said to him, "Boss, the only way you can handle it is to deny that you made the promises in the first place."

I am tempted to say I deny that this was going to happen, although my words are in the Congressional Record. FDR was perhaps more fortunate than I. If, however, this agreement does hold together—and I am sure I don't have to tell you how tenuous a package it is, fraught with so much potential for falling apart—I must say that crow has never been a more delicious dish. I only hope my predictions about the transition turn out to have been false.

If they are, I think it has to be said that Secretary Kissinger's effort in this negotiation really is a triumph of American diplomacy and something which I profoundly believe is potentially in the interests not only of our own country, but of all the peoples of Africa, black and white as well.

Be that as it may, let me just indicate that obviously there is a long way to go. Prime Minister Smith, to put it charitably, is a slippery character. There is a long history, ever since the unilateral declaration of independence 11 years ago, of negotiations in which Smith apparently was prepared to move in the direction of majority rule where he ultimately backed out.

I think there are a number of significant obstacles which still have to be surmounted, not the least of which I would say is the differing interpretations of majority rule held by the Rhodesian whites, on the one hand, and the Zimbabwean blacks, on the other. I have a very strong feeling that in the long run, a far more serious obstacle to the successful culmination of those negotiations than the shape of the council of state or the location of the negotiations themselves may be the differing interpretations which Smith and Nkomo and perhaps Mugabe and some of the other black nationalist leaders have of what majority rule actually constitutes.

SMITH 1975 MAJORITY RULE PROPOSAL

I thought just for the record it might be useful in this regard to say a word or two about the proposal for majority rule that was put forward by Mr. Smith during the Victoria Falls negotiations in 1975.

The initial proposal which Smith submitted to the nationalist leaders who sat on the opposite side of the negotiating table called for a Rhodesian parliament in which representatives would be elected from three separate voter rolls. The first roll would consist of 30 African members elected from a purely African roll with relatively low qualifications for the exercise of the franchise.

Then there would be 60 European members elected on a European roll with qualifications similar to those that now exist for the European roll in Rhodesia today

Then finally there would be up to 30 African members on an African roll with qualifications similar to the high qualifications for the European roll, with the number of African members being elected from this third roll bearing the same proportion to the number of Europeans elected from the European roll to the number of blacks who qualified for that roll in relationship to the number of Europeans who were qualified for the European roll. In other words, on this third roll the qualifications would be similar to the high qualifications for the European roll.

If, for example, there were 100,000 Europeans who qualified on the European roll, and only 10,000 blacks who qualified on this third high qualification roll the blacks would be 10 percent of the total number of Europeans who had qualified, meaning that there would then be 6 Africans elected from this third roll, 10 percent of 60, meaning, of course, that the Europeans would still maintain a substantial majority.

Quite clearly under this proposal the maximum of African seats would be 60, whereas the Europeans would begin with 60, thus even in the distant future, when the total number of Africans on the third roll with the high qualifications for the franchise was equivalent to the number of Europeans on the European roll, the most that the Africans would be able to elect would be 60 compared to the 60 seats aside for the Europeans.

Now when that proposal was rejected by Mr. Nkomo, Prime Minister Smith came forward with a second proposal. The second proposal provided that there would be one European roll with high qualifications for the franchise from which 36 Europeans would be elected; then there would be 36 African members of the new parliament, half picked by voters on an African roll with lower qualifications than the European roll, and half elected by a kind of tribal electoral college.

Finally, there would be 36 common roll seats open to Europeans and Africans and filled by voters of both races from a common roll with qualifications equal to the high-qualification European roll.

Under this plan the whites would obviously continue to dominate Rhodesia. What in reality would happen is you would have 72 white seats, 36 elected from the European roll, 36 whites elected from the common roll, since the qualifications for the common roll are such that 95 percent of those who qualify for it would be white, and of the 36

African members who were elected, 18 would come out of the tribal structure, meaning that they would be likely to be blacks who were sympathetic to the white position, and only 18 of the total number of members of the parliament would probably be black nationalists.

I only mention this as an indication of what I think is likely to be some very rough sledding ahead.

In his speech in Salisbury the other day I think it is significant when Prime Minister Smith indicated he accepted the plan for majority rule in 2 years, he qualified that by referring to what he termed "responsible majority rule."

I have a very strong suspicion his view of responsible black majority rule differs significantly from the nationalist conception of majority rule. In the event the negotiations do collapse, which one hopes they will not but realizes they very well may, I would suggest that our country should embark upon the following course of action.

FUTURE ACTIVE IDENTIFICATION WITH RHODESIAN LIBERATION MOVEMENT

First, I think we ought to more actively identify ourselves with the liberation movement in the future than we have in the past. In view of the factionalism within the nationalist movement, I think it would be a profound political mistake for us to choose up sides. But to the extent that we do provide assistance to this emerging effort to secure freedom in Rhodesia, I think aid should be channeled through the Organization of African Unity. This is assuming, of course, that the negotiations break down.

I think it would be a mistake for us to militarily involve ourselves in any way in the event that the war in Rhodesia should heat up. I think this is an effort which the Zimbabweans have to achieve and succeed at for themselves; but short of a military involvement, which the prevailing political realities in our own country clearly preclude, I think there is a lot more we can do to translate our rhetorical commitment to majority rule into specific support for the liberation movement itself.

I think, first, we should provide substantial amounts of humanitarian and economic assistance directly to the liberation movement rather than simply through the frontline states. There are, as you know, over 20,000 Zimbabwean refugees living in squalid conditions in refugee camps in Mozambique and Tanzania who could desperately use our assistance. I think it would be entirely in accordance with our own humanitarian principles if we were to provide it to them.

ZIMBABWEAN INSTITUTE FUNDS

Second, I think we could provide the funds for the establishment of a kind of Zimbabwean institute similar to the institute for Namibia to train Zimbabwean nationalists for the economic, administrative, and governmental responsibilities which in short order they would soon be assuming.

BYRD AMENDMENT REPEAL

Third, I think we ought as soon as possible to repeal the Byrd amendment, which is viewed by the black African leaders with whom I spoke as a litmus test of America's real commitment to majority rule

in Rhodesia. No one, I think, seriously suggests that the repeal of the Byrd amendment in and of itself would bring the Rhodesian Government to its knees, but it is a symbol of our attitude toward majority rule. The only question in the minds of the African leaders with whom I spoke was whether or not we passed that litmus test before independence or whether or not we fail it, as until now unfortunately we have.

This brings me lastly—and briefly I hope—to a discussion of the decision in South Africa which is, of course, the primary focus of these hearings.

SOUTH AFRICAN PRESSURE ON RHODESIA INDUCEMENT

May I say here that it is my fervent hope that in the course of inducing Prime Minister Vorster of South Africa to bring pressure on Prime Minister Smith of Rhodesia to recognize the realities of the situation and to agree to majority rule in Rhodesia, that we did nothing behind closed doors to sell out the interests of 18 million South African blacks in order to protect the position of 270,000 Rhodesian whites.

That, I think, would be a moral mistake and diplomatic disaster of incalculable proportions. I truly hope that the Secretary of State limited his inducements in this regard to efforts to persuade Prime Minister Vorster on the merits rather than to offer any American diplomatic inducements for Vorster to undertake the kind of pressure which quite obviously was a precondition for a change of mind on Smith's part.

My impression of the situation in South Africa was that it was, in a word, a volcano on the verge of eruption. I have been in a number of repressive societies, but this was without question the most repressive regime which I have ever encountered. I was particularly struck by the existence of an enormous amount of rage and frustration, particularly on the part of young South African blacks who feel that their opportunities for a meaningful existence are virtually nonexistent in the kind of society in which they live in South Africa.

SOUTH AFRICAN/RHODESIAN SOCIETIES' DURABILITY

There is a widespread feeling, I found, in the intelligence community in our own country and on the part of others who have followed the South African situation closely that South Africa is likely to remain a far more durable society than Rhodesia and that the South African whites are likely to be able to survive into the distant future in a way in which the Rhodesian whites have not.

To be sure, there are significant differences between South Africa and Rhodesia, although by comparison to South Africa, Rhodesia, I might say, as bad as the situation is, is a bastion of racial enlightenment. One of the other significant differences obviously is that there are 4 million whites in South Africa—compared to only 270,000 in Rhodesia—who provide a critical mass with much greater staying power than the whites had in Rhodesia.

Also, Rhodesia is landlocked and therefore more susceptible to economic sanctions while South Africa is not. Be that as it may, I

am much less sanguine about the possibility for any kind of perpetual tranquility in South Africa. I think the situation is likely to get worse rather than better, and sooner rather than later.

The fall of the white buffer states following the collapse of Portuguese colonialism in southern Africa and the establishment of black governments in Mozambique and Angola had profound psychological and political consequences for the emerging liberation movement in South Africa itself.

From a psychological point of view, it suggested, I think, to the South African blacks that there were possibilities for the improvement of their own situation which previously they felt didn't exist. I think they told themselves that if the blacks in Mozambique and Angola could achieve independence, there is no reason why they can't achieve independence as well.

Perhaps more importantly, from a logistical point of view, the fall of the Portuguese colonial empire in those two countries has created logistical preconditions for the emergence of an effective insurgency within South Africa. So long as South Africa was surrounded by white buffer states which were inhospitable to a liberation movement, the possibilities for an organized, armed insurgency developing within South Africa were virtually nonexistent.

One has to assume, following the fall of Rhodesia and the ultimate independence of Nambibia, that as the attention of Africa turns to the last white holdout on the African continent, the countries which border South Africa will provide the same kind of support—logistical assistance and political sympathy—to an emerging South African liberation movement that the countries which border Rhodesia have provided to the emerging Zimbabwean movement.

I cannot help but believe that given the condition in South Africa, there will be no shortage of young blacks prepared to leave the country, and, if necessary, to lay down their lives, to join the liberation movement using base camps in Zimbabwe, Mozambique, and ultimately perhaps in Botswana and even in Namibia once they achieve their independence in order to overthrow the South African regime.

SOUTH AFRICAN GOVERNMENT RESPONSE TO DETERIORATING SITUATION

I think the situation is likely to get a lot worse rather than better in the relatively near future. The response of the South African Government to this deteriorating situation unfortunately is to press ahead essentially with more of the same. It has, as you know, reaffirmed its commitment to the homelands policy which calls for the establishment of nine allegedly independent black African homelands in which roughly 71 percent of the population would be given 13 percent of the land.

I think it is important to say here that in principle it is at least possible to conceive how the homelands policy might be an acceptable solution to the racial tensions which exist in South Africa. If, in fact, the South African blacks had, of their own volition, determined that they would prefer to live in black homelands rather than in integrated South Africa, I think it would not be fitting for us to refuse to accept that reality. But the fact is, as you know, that no

referendum has ever been held; and I think if one were held, the great majority of South African blacks, certainly those living outside of the homelands themselves, would oppose this pernicious policy.

To my way of thinking the most objectionable aspect of the homelands policy is the extent to which—upon the independence of the homelands—the members of those tribes assigned to homelands that have been independent will lose their citizenship in white South Africa itself.

When the Transkei is given independence on October 26, the majority of the Xhosa people who live in South Africa outside of the Transkei will be denied their South African citizenship. Consequently, millions of black South Africans who have ben born in South Africa, whose labor has helped to develop the country, who have never been to the homelands, who have no desire to go to the homelands, will be deprived of their citizenship in South Africa and arbitrarily assigned citizenship in a homeland which they have no desire to ever visit.

It would have been, if I may suggest an analogy, somewhat as if the Congress of the United States in 1948, upon the establishment of the State of Israel, had passed a law saying that every American Jew would no longer be considered a citizen of the United States, but would now be considered a citizen of Israel, even if they had never been to Israel, even if they never had any desire to go to Israel, even if their ancestors had lived in our own country for the last two centuries.

TRANSKEI RECOGNITION

Now what, under these circumstances, should American policy be? First, I think we have to make it crystal clear that we will not extend diplomatic or any other kind of recognition to the Transkei, once it is given independence on October 26, because such action would be interpreted as an implicit endorsement of apartheid and as an acceptance of the homelands policy.

I think your committee should take note of the fact, Senator, that a resolution I introduced, which was reported out unanimously by the Committee on International Relations calling upon the President not to extend diplomatic or other recognition to the Transkei, came up for a vote on the floor of the House about a week ago under the Suspension Calendar, which requires a two-thirds vote for passage to become official.

It did not unfortunately receive a two-thirds vote, but it did pass by a very substantial margin. I think it was by about 90 votes, and I think it makes it crystal clear that a substantial majority of the House of Representatives is now on record against diplomatic recognition for the Transkei.

ARMS EMBARGO ENFORCEMENT

Second, I think we ought to vigorously enforce our arms embargo against South Africa, which is part of an internationally established arms embargo for weapons for that country. May I say here, Senator—and this is something that perhaps you and your committee might look into—that during the course of my travels throughout

South Africa, I ran into dozens and dozens of blacks who were convinced that in spite of the embargo, American arms were finding their way into South Africa with the covert, if not the overt, cooperation of our own Government.

I asked them in each instance for evidence to substantiate these accusations. I have to say that none was forthcoming. I did remind them that officially we did have an embargo. I think this is a subject which might merit further investigation, since I would hope that we don't have a situation where in spite of an official policy supporting an embargo on arms to South Africa, somehow Americans arms are still going there.

U.S. INVESTMENT AS LEVER FOR CHANGE

Third, I think we ought to view American investment in South Africa as a potential lever for change in that country. You are familiar, of course, with the statistics which indicate that there are about 350 American firms that invest in South Africa, with a total book value somewhere in excess of $1.5 billion, constituting approximately 15 percent of the total foreign investment in South Africa.

During the course of my discussions with nationalist and black leaders in South Africa, I found an almost universal conviction that it would be a mistake for the United States to withdraw its investment from South Africa, although I found a comparable consensus to the effect that so long as we do have investment in South Africa, investment ought to be constructively used in order to create opportunities for blacks that they otherwise wouldn't have.

I would say that the only way in which we can morally and politically justify the continuation of American investment in South Africa is if, in fact, we make sure that our investment is used to create oportunities for blacks which in the absence of American investment they would be denied.

U.S. STUDY COMMISSION ON EMPLOYMENT CONDITIONS

I would like to suggest here that legislation be considered to establish a commission to study the conditions of employment in South Africa in American firms compared to indigenous South African firms as well as other foreign-controlled firms with respect to pay and personnel policies with a view toward coming back to the Congress with recommendations for legislation or administrative regulations designed to make American investment in South Africa conditional upon the adoption of progressive pay and personnel policies.

MULTIRACIAL SOCIETY EMERGENCE

I think the situation in South Africa today, Senator, is that there is still time for the South African Government to make the kind of concessions which would enable a truly multiracial society to emerge in South Africa. I fear, however, that if they don't move quickly, time will soon pass when changes can be made in such a way that violence can be avoided.

If they don't move soon, it indeed may be too late. I think here the outcome of the negotiations concerning Rhodesia has enormous potential significance for the situation in South Africa. If these negotiations are successful, if in fact a new government can be created in Zimbabwee which provides for majority rule, on the one hand, and minority rights, on the other, I think it could significantly strengthen the forces of reason and rationality within white South Africa who would then be able to point to the Zimbabwean situation as a potential model for the future political development of South Africa.

If, on the other hand, the efforts to produce a peaceful transition fail, or if subsequent to the transfer of power the whites are deprived of their rights and are forced to leave the country, I think that would unfortunately strengthen the very firm conviction which now exists on the part of the South African whites that once the blacks come to power in South Africa, the opportunities for the whites to continue leading a productive life in South Africa would no longer exist.

So I think that having brought the parties in Rhodesia to the point where negotiations are presumably about to begin, we have a continuing interest in the successful culmination of those efforts.

OBLIGATIONS OF PRINCIPLE, REQUIREMENTS OF REALITY CHOICE

Finally, Senator, may I say that very often in the formulation of our foreign policy we are obligated to make a choice between the obligations of principle and the requirements of reality. In Rhodesia and South Africa, it seems to me that the situation requires a response which is both principled and pragmatic; from a principled point of view, I think it is entirely consistent with our own democratic heritage for us to actively identify ourselves with the struggle for majority rule in Rhodesia and South Africa, and from a pragmatic point of view, the fact of the matter is that 270,000 Rhodesian whites cannot, in perpetuity, preside over the fate of 6 million Rhodesian blacks in the same way that 4 million South African whites cannot in perpetuity lord it over 18 million South African blacks. Time is on the side of the blacks.

I think our future relations with the leaders of both of these countries as well as the rest of black Africa will depend on what we do. The winds of change are blowing throughout South Africa. There are obvious limitations on our ability to affect the future course of events in those countries, and certainly in the wake of Vietnam, we ought to be mindful of the limitations of American power.

Clearly it would be a mistake for us to involve ourselves in any kind of military fashion in the events which are now unfolding in southern Africa. It seems to me that we can move with the tide of history rather than against it and that we can do much more than we have in the past to identify ourselves with the forces of change and freedom in southern Africa.

Thank you.

Senator CLARK. Thank you very much. We are pleased to have your comments. Certainly your knowledge and understanding of the factors in southern Africa are most impressive and very enlightening. We offer

you an open invitation to come back before this committee and visit with us at any time.

Thank you very much.

Mr. SOLARZ. Thank you very much.

WITNESS

Senator CLARK. We are going to hear now from William Rogers, Under Secretary of State for Economic Affairs.

Let me say, while Secretary Rogers and others are coming to the table, that we are very pleased to have you here. Mr. Rogers assumed the position of Under Secretary of State for Economic Affairs just last June and has been very active both in economic affairs and in African affairs in the period since. Since he is certainly not a newcomer to Washington, because he has practiced law here, held a number of significant positions, I would like to put on the record some of his past activities so that his testimony can be put into context.

He has served as Special Counsel, U.S. Coordinator for the Alliance for Progress; as Deputy U.S. Coordinator for the Alliance for Progress; and Deputy Assistant Administrator for the Agency for International Development, for AID; an alterative U.S. representative to the United Nations Economics and Social Council. All of these positions in the early part of the 1960's.

Then after returning to law practice, he later became a member of the American Society for International Law and served as its president in 1972–74; then a member of the procedural aspects of the International Law Institute, serving as secretary-treasurer; a member of the Council on Foreign Relations, whose Latin American study group he chaired for a couple of years; and as a member of the Commission on U.S. Latin American Relations; and since October 1974, he has served as Assistant Secretary for Inter-American Affairs. So he has a distinguished legal background as well as in foreign relations and certainly is qualified to speak to the questions that we have for him today. We are particularly fortunate to have Secretary Rogers because he has, along with Assistant Secretary Schaufele, I think, been closest to the Secretary of State and to these negotiations.

I think, therefore, he is fully qualified to speak for our Government with regard to the details of the negotiations and the situation in southern Africa.

Will you proceed in any way you think appropriate. We will then have questions.

STATEMENT OF HON. WILLIAM D. ROGERS, UNDER SECRETARY OF STATE FOR ECONOMIC AFFAIRS, DEPARTMENT OF STATE

Mr. ROGERS. Thank you, Mr. Chairman. I am pleased to have the opportunity to appear before the subcommittee.

This is a critical moment in our relations with Africa. As we all know, the Secretary of State has just returned from 2 weeks there. The purpose of his trip was to explore whether the United States could play a constructive role in the search for peaceful solutions to the crises of Namibia and Rhodesia. We began the effort convinced that the prospects were less than favorable. You, Mr. Chairman, estimated them to be 1 in 20. It now appears, however, that in fact we

have made some progress on Namibia, and that there may be at hand a major breakthrough toward majority rule in Rhodesia within 2 years.

I would like to say a few words about this effort, since it is not unrelated to the central issue before this committee—South Africa—nor was South Africa entirely irrelevant to the effort. First, however, I would like to express our appreciation to you, Mr. Chairman, for your interest and understanding, and for the interest and understanding of other Members of this committee and of the Senate. As you know, we have made particular efforts to keep the Senate advised of the Department's initiatives. A few hours before he left, the Secretary met with almost half the Senate for a full briefing. We have tried, both before and since the trip, to keep you and others, Mr. Chairman, advised.

And we will continue to do so, for we entertain no illusions that the search for peace in southern Africa is the monopoly of any single branch of our Government—nor, may I add, of any single party of our political system.

I would like first, to discuss with you the reasons for undertaking this effort and second, where we stand.

U.S. EFFORTS TO OBTAIN PEACE IN SOUTHERN AFRICA

Why have we made the effort?

I should stress first why we did not make the effort. We did not make the effort to establish a sphere of influence for the United States. We did not make the effort to place our own nominees in power in Rhodesia or Namibia. We did not make the effort to perpetuate injustice.

We made the effort because the alternative to a peaceful solution is violence—race wars in Namibia and Rhodesia—wars which will pit blacks against whites, pride against vengeance and which would be an open invitation to foreign intervention and the radicalization of all of Africa.

Sustained racial warfare in southern Africa would polarize international relations everywhere, and poison the atmosphere for international cooperation. In addition, it could inflame old passions in our own country. We have enjoyed three decades of progress in race relations in the United States. A full-blown race war on the television screens of this country could set us back a considerable way.

It was for these several reasons—and because all other efforts had finally failed—that the Secretary undertook his trip to southern Africa earlier this month.

Its purpose was to get the parties themselves to undertake to find African solutions to African problems, not on the battlefield but at the bargaining table. We could impose no final result, and we knew this from the outset. We could only help to begin the process, a process by which those directly affected could agree to consult together, to determine for themselves the shape and structure of a free, independent and unitary Namibia and Rhodesia.

On Namibia, we have made progress. We consulted at considerable length with South Africa. The decisive moment has not yet come to hand, but our meetings give us reason to believe that there is room for compromise and hope on this issue, as the Secretary will suggest in his statement to the General Assembly of the United Nations today.

On Rhodesia, events unfolded rather more rapidly than many had thought possible. Rhodesia, as you know, is an extraordinarily complex problem. The parties involved include the four frontline presidents, the highly diverse national liberation movements, the British Government, the South African Government, and the authorities in Salisbury. We and the British undertook some five missions to Africa to consult with African leaders prior to the meeting in early September in Zurich with Prime Minister Vorster. After that meeting we had a most careful review of the situation with both President Nyerere and President Kaunda. Following that review, the Secretary traveled to Pretoria to meet with Prime Minister Vorster and then with Mr. Smith. We then communicated the views of Mr. Smith to the frontline presidents through Presidents Nyerere and Kaunda. The proposals which we discussed were derived from working papers which the United Kingdom and the United States put together.

On Friday of last week, Mr. Smith announced that, for the first time since 1965 when Salisbury announced its independence from Britain, he would accept majority rule, and that majority rule would occur, furthermore, within 2 years. In addition, he agreed that Britain should enact the enabling legislation necessary to legitimate the process to majority rule, and that a government of transition should be immediately organized with major black participation.

The presidents of the front line states have responded by stating that they also agree that an early meeting should be called to organize the new government, and have accepted the basic proposals put forward for majority rule within 2 years.

The United Kingdom announced yesterday that, in view of the acceptance of this framework, it is convening a conference of the parties to begin now the establishment of the government of transition.

In our view, the path is now open to the parties for the peaceful resolution of the crisis of Rhodesia. We have no illusions about the process which has begun, however. There will be problems, difficulties and hitches enough in the months ahead. Rhodesia knows hatred, fear, and frustration. The sense of conciliation and the spirit of compassion and understanding which are so essential to compromise and negotiation are hard to maintain in such an atmosphere. Already the African presidents have said publicly that, though the Rhodesian nationalists will take no preconditions to the bargaining table, they cannot accept all that Smith has, at our suggestion, put forward as to the structure of the 2-year transitional government. All we can be certain of is that the opening is at hand. It rests with the parties now to determine whether they can seize the opportunity before them. We and the United Kingdom, which has the ultimate legal and constitutional responsibilities in Rhodesia, are pledged to do all in our power to bring them together.

INTERNATIONAL ECONOMIC COOPERATION TO EASE RHODESIA MAJORITY RULE TRANSITION

Mr. Smith also mentioned in his statement on September 24 a summary of ideas which the United Kingdom and the United States had put together relating to the extent to which the international community can cooperate to ease the economic shocks of the transition to majority rule.

My statement which I will submit for the record, Mr. Chairman, sets forth several aspects of this program of economic cooperation. I would like to emphasize orally to you that in all events it is in no sense a plan to buy out the holdings of anyone in Rhodesia.

We futhermore are not yet certain as to the dimensions of the American contribution to such a plan. As you know, we will be holding tripartite meetings in Washington shortly with representatives of both the British and South African Government to work out the shape of the financial commitment which might be necessary.

Senator CLARK. Those meetings were originally scheduled for this week. Are they not going to take place this week?

Mr. ROGERS. I think they will start next Monday. It depends upon the convenience of the British delegation and the South African delegation. It will certainly start no later than Monday.

As soon as the studies are completed, incidentally, I should stress, we will share their results with the Congress and several other nations which will join us in this effort. This then has been the purpose and effect of the Secretary's recent efforts in Africa.

NAMIBIAN, RHODESIAN EMPHASIS

Its emphasis has been on Namibia and Rhodesia. We have not lost sight of South Africa itself. I know you have expressed concern, Mr. Chairman, as have others, that with our concentration on these two territories we would ignore or compromise our interests in the problem of South Africa itself. But we do not think that an effort in Rhodesia and Namibia will dilute our capacity to influence favorably developments in South Africa. To the contrary, if we can somehow avoid war in those two neighboring areas, and shift from violence to negotiation as the way to resolve racial conflict, we may have a profoundly positive effect on the circumstances within South Africa itself and its own prospects for peaceful evolution.

I am grateful, therefore, to have this opportunity to review with you our interests in South Africa, our policy toward that country and the implications of recent developments in South Africa.

SOUTH AFRICAN ROLE IN WORLD ECONOMY

South Africa plays an important role in the world economy, and it is located at the crossroads of major trade routes used by ourselves and our allies. It is an important and populous African country, a source of valuable raw materials.

Our investment and trade there each constitute slightly more than 1 percent of our total worldwide private investment and total worldwide trade. Nonetheless, South Africa is an active trading partner. In 1975 the United States exported about 1.3 billion dollars' worth of goods to South Africa which accounted for about 30 percent of our total exports to all of Africa and 1.4 percent of our total exports to all countries. Last year we imported $840 million in products from South Africa which was equivalent to about 10 percent of our total imports from Africa and slightly less than 1 percent of our total imports from worldwide sources.

South Africa is also an important but not vital source of a variety of essential minerals such as antimony, manganese, vanadium, chromite,

and platinum. The book value of American private investment in South Africa at the end of 1974 totaled $1.46 billion which was about 40 percent of our total investments in Africa but only slightly more than 1 percent of our total worldwide private foreign investments.

Our strategic interests in South Africa are modest. While South Africa is strategically located on the lines of communication between the Atlantic and Indian Oceans, we have determined that United States use of South African port facilities is not now vital to our defense needs. While we continue to maintain on a standby basis, the contract-operated tracking station near Johannesburg of the U.S. Air Force South Atlantic Missile Test Range, it has been used only infrequently in recent years.

South Africa's agricultural lands are varied and productive; it has been endowed with an unusually broad range of mineral resources. Its people, too, are a significant resource, with a strong sense of pride and an eagerness for advancement. Drawing on its natural and human resources, South Africa has been able in the past century to create a solid base for industrial development. Especially in the postwar years, South Africa has undergone a period of rapid economic growth.

I review these elements of South Africa's potential for two reasons—to point up the future that could be South Africa's, and to place the material American interests there in perspective.

SOUTH AFRICA'S APARTHEID SYSTEM

As to South Africa's system of institutionalized racial discrimination, the views of the United States have been clear and consistent. They were publicly reaffirmed by Secretary Kissinger in his address delivered in April, and in other public statements since that time, and he will restate them today to the United Nations General Assembly. They have been privately reaffirmed in his discussions with Prime Minister Vorster. The United States not only views those policies as unjust, but also as unwise. As the Secretary stated in Philadelphia on August 31, "No system that leads to periodic upheavals and violence can possibly be just or acceptable—nor can it last." The violence which has persisted in South Africa since last June has eliminated with tragic finality any thought or pretense that the system of institutionalized discrimination will ever be accepted by the black people of that country.

This was impressed upon all of us in moving terms by the South African black leaders we met in Pretoria 2 weeks ago. In two momentous meetings, the Secretary heard the full spectrum of views on South Africa. He learned much. And, I add, by listening in them, he symbolized the American commitment to interracial cooperation.

United States representatives have frequently described those elements of our policy toward South Africa which are designed to communicate our strong views on apartheid to the South African Government and people. Without pretending to have the solutions to South Africa's complex problems, we intend to use our influence to bring about peaceful change, equality of opportunity and basic human rights for all South Africans.

We recognize, however, that there may be additional ways to further social development and meaningful change within South Africa. We agree with witnesses, Mr. Chairman, who have testified in recent days

about the positive effect that American firms in South Africa, committed to enlightened business practices, could have on developments there.

We believe it is important, for example, for American business to continue to reflect the principles of the United States in their operations in South Africa, and we believe that this can be done despite the existence of the institutionalized racial discrimination. You are aware, Mr. Chairman, of our policy to encourage American businessmen to take positive steps to enhance the well-being of their black employees. We believe that American businesses can do, and will find it in their interest to do, more in this regard. In examining this question further, we will take into account the proposals expressed by the witnesses who have discussed this subject with your subcommittee.

Other measures designed to exert a positive influence on the pace of progress in South Africa have included our extensive exchange program under which South Africans representing a broad cross section of South African population, have visited the United States. In addition, the American Embassy and our three Consulates General in South Africa have vigorously worked to project, through their activities and the behavior of their staffs, the values for which we stand. I believe you may be able to testify, Mr. Chairman, to the commitment of our official representatives to these objectives.

The conviction that communication and exposure to positive influences are important if change is to be brought about in South Africa, is also an important element behind our determination to continue to oppose the isolation of South Africa from the rest of the international community. We believe that excluding South Africa—and other nations as well—from international organizations can have serious detrimental effects both on South Africa and on the organizations themselves.

Mr. Chairman, these aspects of our policy toward South Africa have not changed.

UNITED STATES POSITIVE EFFORT TO EFFECT CHANGE IN SOUTH AFRICA

What has changed is that we are now actively engaged in a positive effort to effectuate change in South Africa, by finding solutions to the most immediate and acute problems there. Events both inside and outside South Africa have added a measure of urgency to the need for change in South Africa. The key role that South Africa must play if the peaceful evolution of Namibia and Rhodesian to independence and majority rule is to take place has long been recognized, and American officials have long been urged by African leaders to "use their influence" with South Africa to this end. The Secretary discussed this point with African leaders during his first visit to the continent in April. Since then, we have been in close touch with the South African Government, as well as with leaders of black Africa, in recent negotiations on Namibia and Rhodesia. All these parties played a positive and constructive role in this effort, including Prime Minister Vorster of South Africa.

But I wish to make it clear that South Africa's participation in these efforts was not secured by any trades or concessions involving other aspects of our policy which I described earlier. None were asked,

and none were offered. There was no quid pro quo. Secretary Kissinger stated in June that the United States would not sacrifice its principles elsewhere in the search for peaceful solutions for Namibia and Rhodesia.

Recent events have shown the tragic proportions of the South Africa problem. It is, as I said earlier, a highly complex one. It is not a conventional case of decolonization. Blacks and whites have been in that land for hundreds of years. Neither is alien; all of its peoples are, in a root sense, African.

The search for a solution will demand the most extraordinary effort of will, compassion, understanding and conciliation by all South Africans. It is the issue of justice and decency which transcends Africa, and reaches out to touch the moral sense of all mankind. The United States cannot be indifferent to it. And, as the Secretary of State has made clear in his Lusaka statement and since, we shall not be.

Thank you, Mr. Chairman.

[Secretary Rogers' prepared statement follows:]

PREPARED STATEMENT OF HON. WILLIAM D. ROGERS

Mr. Chairman, I am pleased to have this opportunity to appear before the Subcommittee.

This is a critical moment in our relations with Africa. The Secretary of State has just returned from two weeks in Africa. The purpose of his trip was to explore whether the United States could play a constructive role in the search for peaceful solutions to the crises of Namibia and Rhodesia. We began the effort convinced that the prospects were less than favorable. You, Mr. Chairman, estimated them to be one in twenty. It now appears, however, that in fact we have made some progress on Namibia, and that there may be at hand a major breakthrough toward majority rule in Rhodesia within two years.

I would like to say a few words about this effort, since it is not unrelated to the central issue before this Committee—South Africa—nor was South Africa entirely irrelevant to the effort. First, however, I would like to express our appreciation to you, Mr. Chairman, for your interest and understanding, and for the interest and understanding of other members of this committee and of the Senate. As you know, we have made particular efforts to keep the Senate advised of the Department's initiatives. A few hours before he left, the Secretary met with almost half the Senate for a full briefing. We have tried, both before and since the trip, to keep you and others, Mr. Chairman, advised.

And we will continue to do so, for we entertain no illusions that the search for peace in southern Africa is the monopoly of any single branch of our Government—nor, may I add, of any single party of our political system.

I would like first, to discuss with you the reasons for undertaking this effort and second, where we stand.

Why have we made the effort?

I should stress first why we did not make the effort. We did not make the effort to establish a sphere of influence for the United States. We did not make the effort to place our own nominees in power in Rhodesia or Namibia. We did not make the effort to perpetuate injustice.

We made the effort because the alternative to a peaceful solution is violence—race wars in Namibia and Rhodesia—wars which will pit blacks against whites, pride against vengeance and which would be an open invitation to foreign intervention and the radicalization of all of Africa.

Sustained racial warfare in southern Africa would polarize international relations everywhere, and poison the atmosphere for international cooperation. In addition, it could inflame old passions in our own country. We have enjoyed three decades of progress in race relations in the United States. A full blown race war on the television screens of this country could set us back a considerable way.

It was for these several reasons—and because all other efforts had finally failed—that the Secretary undertook his trip to southern Africa earlier this month.

Its purpose was to get the parties themselves to undertake to find African solutions to African problems, not on the battlefield but at the bargaining table. We could impose no final result, and we knew this from the outset. We could only help to begin the process, a process by which those directly affected could agree to consult together, to determine for themselves the shape and structure of a free, independent and unitary Namibia and Rhodesia.

On Namibia, we have made progress. We consulted at considerable length with South Africa. The decisive moment has not yet come to hand, but our meetings give us reason to believe that there is room for compromise and hope on this issue, as the Secretary will suggest in his statement to the General Assembly of the United Nations today.

On Rhodesia, events unfolded rather more rapidly than many had thought possible. Rhodesia, as you know, is an extraordinary complex problem. The parties involved include the four Front Line Presidents, the highly diverse national liberation movements, the British Government, the South African Government and the authorities in Salisbury. We and the British undertook some five missions to Africa to consult with African leaders prior to the meeting in early September in Zurich with Prime Minister Vorster. After that meeting we had a most careful review of the situation with both President Nyerere and President Kaunda. Following that review, the Secretary traveled to Pretoria to meet with Prime Minister Vorster and then with Mr. Smith. We then communicated the views of Mr. Smith to the Front Line Presidents through Presidents Nyerere and Kaunda. The proposals which we discussed were derived from working papers which the United Kingdom and the United States put together.

On Friday of last week, Mr. Smith announced that, for the first time since 1965 when Salisbury announced its independence from Britain, he would accept majority rule, and that majority rule would occur, furthermore, within two years. In addition, he agreed that Britain should enact the enabling legislation necessary to legitimate the process to majority rule, and that a government of transition should be immediately organized with major black participation.

The presidents of the front line states have responded by stating that they also agree that an early meeting should be called to organize the new government, and have accepted the basic proposals put forward for majority rule within two years.

The United Kingdom announced yesterday that, in view of the acceptance of this framework, it is convening a conference of the parties to begin now the establishment of the government of transition.

In our view, the path is now open to the parties for the peaceful resolution of the crisis of Rhodesia. We have no illusions about the process which has begun, however. There will be problems, difficulties and hitches enough in the months ahead. Rhodesia knows hatred, fear and frustration. The sense of conciliation and the spirit of compassion and understanding which are so essential to compromise and negotiation are hard to maintain in such an atmosphere. Already the African Presidents have said publicly that, though the Rhodesian nationalists will take no preconditions to the bargaining table, they cannot accept all that Smith has, at our suggestion, put forward as to the structure of the two-year transitional government. All we can be certain is that the opening is at hand. It rests with the parties now to determine whether they can seize the opportunity before them. We and the United Kingdom, which has the ultimate legal and constitutional responsibilities in Rhodesia, are pledged to do all in our power to bring them together.

Mr. Smith also mentioned in his statement on September 24 a summary of ideas which the United Kingdom and the United States had put together relating to the extent to which the international community can cooperate to ease the economic shocks of the transition to majority rule.

The objective of this effort would be to maintain confidence in the future of Rhodesia. This proposal would be intended to give an incentive to those who have a positive contribution to make to stay in Rhodesia and work for the future of the country. Its overall aim would be to expand industrial and mineral production in Rhodesia, to enhance agricultural potential and to provide the funds for necessary training and skills. Its broader purposes would be:

To equip black Rhodesians to take advantage of the opportunities which will be opened to them in a majority ruled Rhodesia; to expand investment in the country; and to allow the economy to adjust to the removal of sanctions.

It is not a plan to buy out the holdings of the white Rhodesians. No one would be paid to leave. It is not like the program the British Government employed

in Kenya. As I have said, its overall objective is to maintain a sense of confidence in the economic future of the country, not to encourage emigration and capital flight.

At this point, we are not able to say what the dimensions of an American contribution to such a plan might be. As you know, we will be holding tripartite meetings here in Washington shortly with representatives of both the British and South African Governments to elaborate the concept and work out the shape of the financial commitment which might be necessary. As soon as these studies are completed, we will share their results with the Congress—and with the several other nations which we expect will join us.

This has been the purpose and effect of the Secretary's recent efforts in Africa. Its emphasis, in terms of practical, immediate results, has been on Namibia and Rhodesia. But we have not lost sight of South Africa itself.

I know you have expressed concern, Mr. Chairman, as have others, that with our concentration on these two territories we would ignore, or compromise, our interests in the problem of South Africa itself. But we do not think that an effort in Rhodesia and Namibia will dilute our capacity to influence favorably developments in South Africa. To the contrary. If we can somehow avoid war in those two neighboring areas, and shift from violence to negotiation as the way to resolve racial conflict, we may have a profoundly positive effect on the circumstances within South Africa itself, and its own prospects for peaceful evolution.

I am grateful; therefore, to have this opportunity to review with you our interests in South Africa, our policy toward that country and the implications of recent developments in South Africa.

South Africa plays an important role in the world economy, and it is located at the crossroads of major trade routes used by ourselves and our allies. It is an important and populous African country, a source of valuable raw materials.

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Our strategic interests in South Africa are modest. While South Africa is strategically located on the lines of communication between the Atlantic and Indian Oceans, we have determined that United States use of South African port facilities is not now vital to our defense needs. While we continue to maintain on a standby basis, the contract-operated tracking station near Johannesburg of the U.S. Air Force South Atlantic Missile Test Range, it has been used only infrequently in recent years.

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I review these elements of South Africa's potential for two reasons—to point up the future that could be South Africa's, and to place the material American interests there in perspective.

As to South Africa's system of institutionalized racial discrimination, the views of the United States have been clear and consistent. They were publicly reaffirmed by Secretary Kissinger in his address in Lusaka in April, and in other public statements since that time, and he will restate them today to the United Nations General Assembly. They have been privately reaffirmed in his discus-

sions with Prime Minister Vorster. The United States not only views those policies as unjust, but also as unwise. As the Secretary stated in Philadelphia on August 31, "no system that leads to periodic upheavals and violence can possibly be just or acceptable—nor can it last." The violence which has persisted in South Africa since last June has eliminated with tragic finality any thought or pretense that the system of institutionalized discrimination will ever be accepted by the black people of that country.

This was impressed upon all of us in moving terms by the South African black leaders we met in Pretoria 2 weeks ago. In two momentous meetings, the Secretary heard the full spectrum of views on South Africa. He learned much. And, I add, by listening in them, he symbolized the American commitment to interracial cooperation.

U.S. representatives have frequently described those elements of our policy toward South Africa which are designed to communicate our strong views on apartheid to the South African Government and people. Without pretending to have the solutions to South Africa's complex problems, we intend to use our influence to bring about peaceful change, equality of opportunity and basic human rights for all South Africans.

We recognize, however, that there may be additional ways to further social development and meaningful change within South Africa. We agree with witnesses, Mr. Chairman, who have testified in recent days about the positive effect that American firms in South Africa, committed to enlightened business practices, could have on developments there.

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The conviction that communication and exposure to positive influences are important if change is to be brought about in South Africa, is also an important element behind our determination to continue to oppose the isolation of South Africa from the rest of the international community. We believe that excluding South Africa—and other nations as well—from international organizations can can have serious detrimental effects both on South Africa and on the organizations themselves.

Mr. Chairman, these aspects of our policy toward South Africa have not changed.

What has changed is that we are now actively engaged in a positive effort to effectuate change in southern Africa, by finding solutions to the most immediate and acute problems there. Events both inside and outside South Africa have added a measure of urgency to the need for change in South Africa. The key role that South Africa must play if the peaceful evolution if Namibia and Rhodesia to independence and majority rule is to take place has long been recognized, and American officials have long been urged by African leaders to "use their influence" with South Africa to this end. The Secretary discussed this point with African leaders during his first visit to the continent in April. Since then, we have been in close touch with the South African government, as well as with leaders of black Africa, in recent negotiations on Namibia and Rhodesia. All these parties played a positive and constructive role in this effort, including Prime Minister Vorster of South Africa.

But I wish to make it clear that South Africa's participation in these efforts was not secured by any trades or concessions involving other aspects of our policy which I described earlier. None were asked, and none were offered. There

was no quid pro quo. Secretary Kissinger stated in June that the United States would not sacrifice its principles elsewhere in the search for peaceful solutions for Namibia and Rhodesia.

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The search for a solution will demand the most extraordinary effort of will, compassion, understanding and conciliation by all South Africans. It is the issue of justice an decency which transcends Africa, and reaches out to touch the moral sense of all mankind. The United States cannot be indifferent to it. And, as the Secretary of State has made clear in his Lusaka statement and since, we shall not be.

Senator CLARK. Thank you very much.

HEARING PROCEDURE

I would like to ask you first, questions pertaining to Rhodesia and Namibia as you dealt with these first in your statement, and then a number of questions about South Africa, particularly questions of investment in South Africa.

Let me say at the outset, Mr. Secretary, that we feel these hearings are of particular importance to the Senate, most particularly the first part of your comments about the current situation in southern Africa, because it practically is our only opportunity in the Senate to put on an official public record, the essential points of these negotiations and related matters, because we are going out of session presumably tomorrow or the next day. My questions are frankly designed to bring out our Government's official position on this difficult unanswered question that we have. So if I seem to be pressing you for specific answers, it is because I am and because I think that these unanswered or vaguely answered questions are important to have on the record in some detail for present and future reference.

SETTLEMENT PACKAGE DISCREPANCIES

First, how do you account for the discrepancies between the settlement package that was announced by Smith, I think, 6 days ago and the proposals made in response to Smith by five African Presidents? How do you account for these discrepancies? What might be the explanation? I don't expect you to be able to look in the minds of each of these people, but——

Mr. ROGERS. As I said before, Mr. Chairman——

Senator CLARK [continuing]. Our microphones are very weak. You will have to speak loudly.

Mr. ROGERS. We recognized several things at the very outset of the process. The first was the fact that the possibilities of a breakthrough were less than 100 percent, by a considerable degree. The second thing was that in all events the contribution we could make would not be to design the final structure of either the transition government or the final government of independence for Zimbabwe in all their details. All we could do would be hopefully to open the door to the process by which the interested parties could undertake to do that. It has been our view—and I think this is shared by all

those who have spoken to the issue in Africa—that the solution must must be found within Africa itself.

Therefore, our effort was to first determine whether or not the parties could agree on fundamentals; that is to say, a commitment to majority rule within a fixed term of 2 years or less; and, two, a government of transition in the meanwhile in order to work out the essential aspects of how that final majority rule government would function.

Since the task was to bring the parties to the bargaining table, it would have been extraordinary had the parties announced perfect unanimity with respect to the results to come out of that bargaining process before they even got to the bargaining table.

This basically is the reason why naturally enough one would expect different positions to be announced by the various interested parties before the actual conference which the British have now called is convened.

Senator CLARK. In other words, as I understand your response as to why one would look upon it differently, the fact that there was not a detailed program; we did not design the details of the interim government; is that correct?

Mr. ROGERS. That is correct. What I mean to say about that is that there is necessarily going to be a wide variety of things which have to be worked out as to how the interim government is going to operate. Who are going to be the various ministers, what ministries there will be, what the precise relationship between the two councils will be, and so forth. We are not, quite frankly—I have to emphasize as strongly as I possibly can, Mr. Chairman—highly skilled experts in British constitutional procedure.

The proposals that we took to Pretoria were basically defined from our talks with the British and were extracted from analyses, legal and constitutional analyses that the British in the first instance authored. Our expertise was less than infinite on those questions; so we necessarily recognize first, that it was, as I indicated before, for the parties to resolve the details of the transition government and the process of establishing the constitution of the final government; and second, that it would in large part arise from the long and very specialized experience of British constitutional law in the colonial areas of Africa.

INTERIM RHODESIAN GOVERNMENT PACKAGE DETAILS

Senator CLARK. Let's look more specifically at this question of the details of the proposal, because I think that is the area where the greatest possibility of misunderstanding can occur; and I just want to be sure we have on the record the right understanding of that, or the understanding as you have it.

Did Secretary Kissinger then, as you understand it, offer Ian Smith a package that included the details of an interim Rhodesian Government that Smith then announced in his speech 6 days ago? The emphasis of my question is, did the Secretary offer Mr. Smith a package that included the details of the interim Rhodesian Government as he expressed them in this speech on Thursday?

Mr. ROGERS. Let me be——

Senator CLARK. Friday, I guess it was.

Mr. ROGERS. Yes.

We were flying in the airplane, but I can't remember what day. We were in the airplane almost every day.

The answer to your question is—Mr. Chairman, let me be quite precise about it.

Senator CLARK. Yes.

Mr. ROGERS. The first five points that Mr. Smith announced were in fact five points which we had communicated to him.

Senator CLARK. Which you had communicated to Mr. Smith?

Mr. ROGERS. Correct.

Senator CLARK. Let me read those. I think those are important. Most of my questions center around those.

I gather when you say that you had communicated to Mr. Smith that these are the exact communications and not Mr. Smith's creations?

Mr. ROGERS. That is right. Those five points.

Senator CLARK. Point No. 1, Rhodesia agrees to majority rule within 2 years?

Mr. ROGERS. Correct.

Senator CLARK. That is a word for word, what would we say, Callaghan-Kissinger proposal that was conveyed to Mr. Smith that Mr. Smith agreed to and pronounced last Friday, that Rhodesia agrees to majority rule within 2 years; is that an accurate statement on my part?

Mr. ROGERS. I am sorry. I didn't catch the drift of your question.

Senator CLARK. The intent of my question is to determine whether these very specific words, "Rhodesia agrees to majority rule within 2 years," this was what we might call a Callaghan-Kissinger proposal? I don't know how we want to refer to this proposal. This was a proposal that Mr. Kissinger conveyed to Mr. Smith in their conversation in Pretoria?

Mr. ROGERS. Yes.

Senator CLARK. And Mr. Smith agreed to?

Mr. ROGERS. That is right.

Senator CLARK. Second, representatives of the Rhodesian government will meet immediately at a mutually agreed place with African leaders to organize an interim government to function until majority rule is completed; that was point two. I want to be sure that Mr. Smith's statement—that is all we have to go on—is a very accurate representation of each of the points that were presented to him.

Mr. ROGERS. The five points?

Senator CLARK. The five points, yes.

Mr. ROGERS. The five numbered points were proposals which Smith put forward as a result of the discussions between Great Britain, the United States, and the African nations.

Senator CLARK. Those were the proposals put to him in detail as they have been presented here?

Mr. ROGERS. Yes.

Senator CLARK. Point 3, the interim government should consist of a Council of State, half of whose members will be black, half white,

with a white chairman, without a special vote. The African and European sides would nominate their representatives. Its functions would include legislation, general supervisory responsibility, and supervising the process of drafting the constitution. The interim government should also have a council of ministers with a majority of Africans and an African first minister.

For the period of interim government, the ministers of defense and of law and order would be white. The decisions of the council of ministers to be taken by two-thirds majority. Its functions should include delegates' legislative authority and executive responsibility. So the details of that particular point, Council of State, a white chairman, a black first minister, a majority of Africans, the fact the minister of defense and law and order would be white, are Kissinger proposals which Ian Smith accepted and then explained in his speech?

Mr. ROGERS. No, I wouldn't say they are Kissinger proposals.

Senator CLARK. That is what you said about one and two.

Mr. ROGERS. No, I didn't say that. What I meant to say was that we communicated them to Mr. Smith during the meetings in Pretoria. They were proposals which arose out of a considerable process of consultation with the British and with the African presidents before we met with Mr. Smith.

Senator CLARK. Yes. Well, let me characterize it in a different way. It is very important they be characterized accurately. These were the proposals which were decided upon before you met with Mr. Smith or else in the process of meeting with Mr. Smith and which you all agreed upon prior to Mr. Smith's statement?

Mr. ROGERS. Yes.

Senator CLARK. I want to be sure that the idea that there will be an equal number of blacks and whites on the Council of State, that there will be a white chairman, and so forth, are not the creation of Mr. Smith; they are the creation of a meeting with Mr. Kissinger and Mr. Smith and presumably Mr. Vorster. We want to get to this question later; perhaps also discussions with the black presidents?

Mr. ROGERS. Yes. They arose out of that long process of consultation.

Senator CLARK. The fourth one, the interim government will enact enabling legislation for the enforcement of majority rule. Upon the enabling of that process, Rhodesia will also enact such legislation.

The fifth, upon the establishment of the interim government, sanctions will be lifted and all acts-of-war including guerrilla warfare will cease.

Those are the five points we have under discussion. I don't think we will deal with the sixth at the present time.

COUNCIL OF STATE

One question arises with regard to your understanding of this Council of State. It is the supreme body with half of the members black and half white with a white chairman, without a special vote.

In an earlier point in the Smith speech, and I quote directly from that speech—I want to make sure this is your understanding as well—the question deals with whether there has to be a two-thirds majority in the Council of State to take any action. Mr. Smith is speaking:

Turning now to the constitutional aspects, the proposals provide for the setting up of an interim government comprising a Council of State and a Council of Ministers. The Council of State will be the supreme body and will have equal numbers of white and black members with a white chairman. As is customary in the cabinet decision, decisions will normally be reached by consensus; but where a vote is necessary, a two-thirds majority is required. Its first duty will be to appoint the Council of Ministers. However, the most important function of the Council of Ministers will be to draw up a new constitution.

Now, Mr. Smith then is saying that actions by the Council of State will be by consensus, if possible; but where a vote is necessary, a two-thirds majority. Is that your understanding of the Council of State, that decisions will require, if necessary, a two-thirds majority?

Mr. ROGERS. I don't think it would be, quite frankly, helpful, Mr. Chairman, if I put any more gloss on the substance of the structure of the transition government than is presently on it.

Senator CLARK. Any more gloss?

Mr. ROGERS. No, sir. We lawyers fall into those terms.

Senator CLARK. Not being a lawyer, what do you mean by that?

Mr. ROGERS. I mean an additional explanation or elaboration of the proposal. I come back again to the earlier point. The designing of the entire structure of the transition government will be done by the parties themselves at the conference the British have called. I think the less we here in Washington in an official position attempt to color or structure the discussions which will occur in that conference which the British have called, the better.

Senator CLARK. I don't disagree with that interpretation except insofar as the proposals which we were a party to or put forward ourselves; and I gather from your answer, and from the five proposals that I have read, that these were the specific proposals that were put forward and that were agreed to by Mr. Smith; but that those proposals in your judgment do not address the question of two-thirds majority. That is another matter?

Mr. ROGERS. I think they speak for themselves, Mr. Chairman.

Senator CLARK. They don't—because it seems awfully important to me if it is our proposal—I am not asking you to interpret Ian Smith's statements—if it is our proposal, we put no proposal forward that was accepted and that was a part of this arrangement which gave the Council of State, in effect, a vote power; that is, a two-thirds requirement.

Mr. ROGERS. As I say, I think the five points which we have discussed before were presented by the Secretary to Mr. Smith having arisen as they did out of the process of consultation which I have discussed before.

I think quite frankly it is best if I stop my comment at that point and not go much beyond it. I would not want to be less than candid with you, Mr. Chairman.

Quite frankly, because this is such a highly violatile and sensitive situation, because the parties themselves are so keen on addressing the issues which are on the agenda of that conference beforehand in public, our greatest contribution, it seems to me, can be an extraordinary if not exquisite degree of tact with respect to the merits of the issues.

Senator CLARK. I couldn't agree with you more in what you said. I do think it is very important that if the Prime Minister of Rhodesia makes a public speech and represents those specific points—I am speak-

ing now of the five points—as having been presented to him by our Secretary of State and others, in the process you discussed, that we be sure that those are accurate, that our Government and that this Senate and the Congress be certain that we have on record whether, in fact, Ian Smith correctly represents the Secretary of State and our Government.

I gather your testimony is that on these five points he does?

Mr. ROGERS. Correct.

INTERIM GOVERNMENT STRUCTURE ACCEPTABILITY TO BLACK AFRICAN LEADERS

Senator CLARK. Now to go to this general process that you have discussed—as you say it is very important. These aren't just Kissinger points. As you described them, they are proposals that went on in discussion, and a statement by Mr. Callaghan in March, looked at by the Secretary of State; and then—this is the important part of the question, I think—then discussed with the so-called front-line presidents, the four presidents, specifically Nyerere, Kaunda, Khama, and Michel. It is about that process that I would like to ask you some questions.

Did Secretary Kissinger assure Ian Smith that this interim government structure was completely acceptable to the African leaders?

Mr. ROGERS. May I here again, Mr. Chairman, indicate that I think it best if we not lay out in excessive detail the precise conversations that we had.

Senator CLARK. No; I don't want you to do that. I just want to know whether or not the Secretary of State assured Mr. Smith that these five points had the approval of the black presidents? That is all I am asking. I don't want any of the details of the discussions or anything of that kind.

Mr. ROGERS. What we did say to him was that the five points had arisen out of the long process of consultation which we had had with the British, beginning with the British in terms of their own constitutional habits and traditions, and the process for the elaboration of a transitional government culminating in a system of majority rule which had been discussed in general terms——

Senator CLARK. In general terms?

Mr. ROGERS. In general terms, with the black presidents, through the process of consultation with five missions.

Senator CLARK. I think you answered the question. In other words, the details of these five specific proposals that Ian Smith pronounced 6 days ago, were not cleared with the black frontline presidents. They were only discussed in general terms? Is that an accurate characterization?

Mr. ROGERS. I really would not want to be pushed, quite frankly, Mr. Chairman, to an unequivocal answer with respect to that point. I think it is much better that the process which has been opened up here for the parties to get together and discuss the structure of government ought to go forward with as little public gloss from us as possible from here on out.

Senator CLARK. You would not want to make the characterization that I have made?

Mr. ROGERS. I would not either want to embrace it or reject it on the record.

Senator CLARK. As far as the Congress is concerned, as far as this committee is concerned, we are not sure whether they were cleared specifically and in detail with the frontline presidents?

Mr. ROGERS. I would be delighted to discuss that with you on a more private basis. Quite frankly, as I say again, I think the greatest contribution we can make now in terms of our diplomacy is, rather than to try to construct the detailed history of the conversations which have been elaborate and complex, to maintain publicly a tactful ambiguity with respect to those conversations in order to allow the process to go forward as best it can.

Senator CLARK. I can very well understand that. I think it is important that the administration or the Secretary of State or the Department of State understand there would be a certain reluctance, certainly, by anyone not privy to those conversations, whether it is a Member of Congress or the general public, to say this is a good idea, or a meaningful proposal, or I like it in detail; I like the idea there is a Council of State and an interim government, and a white chairman without a vote, or a black first minister, and so forth, without knowing whether, in fact, those are the details of the proposal.

Mr. ROGERS. I understand that point. What I am suggesting is that you are quite right. It is difficult for you to speak to the merits of the proposal at the present time on the basis of what is now on the public record with respect to it. I understand that.

I think, however, that that is not all bad.

Senator CLARK. It may be all good, I don't know.

Mr. ROGERS. Yes.

U.S. ROLE IN RHODESIA IN COMING WEEKS

Senator CLARK. Given the present complexity of the Rhodesian situation, what do you see now as the American role in the days and weeks ahead

Mr. ROGERS. A good question. Let me try to give you as considered an answer as I can.

I do not think, quite frankly, that we are passing into a new phase. In the phase which essentially began with the Secretary's Lusaka speech and ended, if you will, more or less this weekend, it seems to me the United States was exercising the major initiative in the person of the Secretary of State. We were, if you will, out in front in the search for possible common ground toward a peaceful resolution.

What I conceive as having happened in the last several days is that Salisbury authorities have announced that they are prepared to accept majority rule within a 2-year period and to permit the legalization of the process by way of the reassertion of British authority through a British enabling act. And that they are prepared to meet with the nationalist leaders to organize the transition government and the process of writing the constitution.

Now, the next phase, therefore, will be that process, the process of consultation between the parties, the Salisbury authorities, and the nationalist leaders. The process will occur through the medium of a conference which the British have now called. The British furthermore have offered to chair that conference; and, in fact, a senior

British official, Ambassador Richards, has been designated as the proposed chairman by the London authorities.

We, however, will not walk away from the process from here on out. We will play as constructive a role as we can without asserting more responsibility than we really ought to for the purposes of designing the transition government and the final constitutional government.

I should mention to you that because we want to continue to play a constructive role with the British, as may be appropriate for us, Bill Schaufele is still in Africa. He will be there for a number of days yet to assure that we have lent every assistance we could to the calling of that conference, to getting the parties around the conference table, and to the clarification of any ambiguities or misunderstandings with respect to our position about it so that the conference has the maximum chance of success.

In other words, a second phase, one in which the British will be significant, but in which we will continue to play such supporting and helpful a role as we possibly can.

Senator CLARK. So you see our role being diminished by comparison to the past. In other words, our Government was the initial impetus to this, but now that it has gone as far as it is, we would play a somewhat less significant role; and the British, given their past relationship to Rhodesia, would play a more major role as evidenced by this conference.

Mr. ROGERS. Not necessarily. Technically, the Queen in London is still sovereign in Rhodesia. No. 2, the British must bring to bear their legal tradition with respect to Rhodesia.

I might emphasize that one of the interesting and in some way surprising things that we discovered in our conversations around Africa was the strength of that British legal tradition.

So many of the presidents and others with whom we talked about the process of finding a solution in Rhodesia would refer to the decolonialization experience of the United Kingdom in a wide variety of other areas in Africa and say this is the model that ought to be followed; or how what you are proposing constitutes a variation from that model.

BRITISH-RHODESIAN RELATIONSHIP

Senator CLARK. I think that is a central point: The British-Rhodesian relationship. In fact, I was just looking for the quote. It seems to me in fact that was the basis upon which the frontline presidents in fact rejected these five proposals that we have been talking about.

If I can find the exact quote from them——

Mr. ROGERS. I don't think it is fair to say they rejected the five proposals.

Senator CLARK. Perhaps not. They rejected the package Mr. Smith announced on Friday.

Is that an accurate characterization?

Mr. ROGERS. I think what they said was that to accept—if I can paraphrase; obviously, their own language takes precedence—my recollection of what they said was that to accept everything Smith has set down here would be trantamount to maintaining the present repressive system.

Senator CLARK. You feel they were dealing with something more, or something different than the five points?

Mr. ROGERS. I think they were taking the totality of the package; the totality of the Smith statement. Clearly, they don't reject the major essential elements of even the five points.

Obviously, the move to majority rule they are in favor of, within a fixed term; the idea that the British should enact enabling legislation for that process; these are all highly desirable and essential elements.

Senator CLARK. Let me read those specifically.

Zimbabwe. Now that the pressures of armed struggle have forced the enemy to accept majority rule as a condition for immediate independence the five Presidents call upon the colonial authority, the British Government, to convene at once a conference outside Zimbabwe with the authentic and legitimate representatives of the people (a) to discuss the structure and functions of the transitional government; (b) to establish the transitional government; (c) to discuss the modalities for convening a full constitutional conference to work out the independence constitution; and (d) to establish the basis upon which peace and normalcy can be restored to the territory.

In other words, you would interpret these, as I think the Secretary of State has, as being then in substantial agreement with the five proposals that you put forward to Mr. Smith and which Mr. Smith announced last Friday; is that accurate?

Mr. ROGERS. In large part. I think in general terms it is the acceptance of the basic proposals and the process which is contemplated here.

Clearly they embrace that. It was on that account that the British Government then went ahead and called for the convening of the conference yesterday.

ECONOMIC GUARANTEES FOR WHITES, U.S. ROLE

Senator CLARK. Could you tell us, Mr. Secretary, what kind of economic guarantees for whites are being discussed in the Rhodesian negotiations and what the United States' role for this would be, particularly the Congressional role?

As you said, the outlines, the details, the amounts are not available.

Can you just discuss a bit the idea, the plan, the proposal, whatever it would be?

Mr. ROGERS. Yes.

The basic idea would be then to organize the international community to provide whatever support and cooperation it could to insure that the process of the transition to majority rule will not have a devastatingly destructive economic effect on the country.

We want Rhodesia to come out of this process, which is going to be a difficult process at best, with a thriving economy, one in which its people feel confidence, and one which can continue increasingly to offer opportunities for a decent livelihood to all the people of Rhodesia or Zimbabwe.

We know from other experiences in Africa that the process of decolonialization or a move to majority rule can have severe adverse economic effects.

We want to do what we can in a constructive, imaginative way to avoid that in this case. There will be, it seems to me, two lines of analysis. One, those things which the new transition government followed by the constitutional government ought to adopt by way of economic

policies to avoid collapse; and second, what the international community can do to support the effort to maintain the economy.

The international community can do two things: One, it can and should—in my judgment—be prepared with real resources to take advantage of the opportunities that majority rule will offer; and the lifting of sanctions will offer; and the bringing of peace will offer.

That is to say an expansion of black ownership of farms, expansion of investment which will provide jobs within Rhodesia itself, and a secure base for the fiscal and monetary system of the new country.

I think this is going to involve, in some ways, quite conventional economic aid for projects and for technical assistance.

We ought to be ready to move in when it becomes clear that the process is on the way.

The second thing is that we can underwrite internationally commitments which the new government will make, commitments with respect to what an emigrant can take out of Rhodesia by way of his liquid holdings at the time he decides to emigrate.

That ought to be structured in a way which will make clear several things. One, that a European who is thinking about the prospects for Rhodesia does not have to conclude today that the jig is up, he has to move, and take whatever he can get out of the country.

The result would be massive decapitalization and a massive blow to the ongoing economy of the country.

On the other hand, we don't want to create an incentive for him to leave by saying that all of a sudden he is going to be paid a massive windfall if he gets out of Rhodesia.

The system of incentives for keeping whites there, those who are prepared to constructively contribute to the future economy of Rhodesia, is a very subtle thing.

The international community ought to be in a position to provide international underwriting to the assurance that the new government will give to potential emigrants that they can take some but not all of their liquid assets out.

We are also considering very carefully the idea of a sliding scale for the proportion of liquid assets which can be removed by an emigrant.

Senator Clark. Do you have an idea of what those percentages would be?

Mr. Rogers. We have some idea, but quite frankly, Mr. Chairman, as you may know the Rhodesian authorities for their own reasons have been, if you will, quite secretive about the precise facts of their economy in recent years; and therefore, we have had some open x's in the equation we have been trying to work out.

We hope that now the process is beginning toward majority rule we would get some of that data and come up with fixed answers.

I would warrant to you, as I have before, that we will not get too far out in front of the Congress in this respect. We will be in active consultation with you. I would also say several other things.

One, we do not regard this as solely a venture for the public sector. We think the private sector has a major responsibility here because the private sector is going to be the big job creator.

We will be in consultation with the private sector with respect to their contribution.

Secondly, we are, as you know, in consultation with other governments. We have already discussed with a number of others the fact that when we and the British design a proposal that they can sink their teeth into, we will be back to them talking about their participation.

This will be a multinational effort, not just the United States. I repeat again that we will be back up here to the Congress when the time comes.

KISSINGER MOTIVATION CREDIBILITY

Senator CLARK. During the previous hearings we have held witnesses have expressed concern that Secretary Kissinger's main interest in these negotiations is to check the growth of Soviet influence in the area and to insure that future governments of Rhodesia, Zimbabwe, and Namibia are moderate.

I notice in your statement you say, "which would be an open invitation to foreign intervention and the radicalization of all of Africa."

A number of people have spoken to this issue—President Nyerere on television last Sunday spoke of the U.S. interest, the motivation for these negotiations is to prevent communism or radicalization.

My question is this: Do you think the Secretary's concern about radical and Soviet influence has hurt his credibility among African leaders?

Does it seem to them we are more concerned about communism than about African independence?

As you view these negotiations, do you think that has been a problem?

Mr. ROGERS. That is an interesting question. Let me pick up one minor philosophical point.

I don't necessarily equate communism and radicalism.

Senator CLARK. I see.

You may have been speaking of South Africa here when you said radicalization.

Mr. ROGERS. I think what I mean by radicalization is, first and foremost, in a racial sense. You know, there are examples in Africa of states which proudly affirm themselves to be nonracial.

It seems to me that one of the issues at stake here is the question of whether that concept has a future in southern Africa.

I hope it does. I think this is the moral issue that is at stake. This is essentially what, in the first instance, I was referring to when I was talking about radicalization, not necessarily the political philosophy which will organize the structure of the government.

I cite you the case of Mozambique. We have relations with Mozambique. We have not attempted to speak to or affect the structure and ideological basis of the government in Mozambique.

We can continue to maintain our diplomatic relations with a nation such as Mozambique even though it is organized on the basis of principles different from our own.

To get back to your original question of whether or not there is a sense in southern Africa that we are motivated solely by cold war anticommunism——

Senator CLARK. Primarily, not solely.

Mr. ROGERS. Well, as you know, I, myself, conducted a mission with Mr. Schaufele before the final trip of the Secretary.

I had a chance to talk with a number of the people including the leading Presidents.

My sense was that by and large they felt our interest was basically their interest, and that was the avoidance of war, of violance as a solution to the racialism which divides southern Africa and the issues of Namibia and Rhodesia.

Over and over again, and most dramatically as you may recall in President Kaunda's statement to the press with the Secretary just before he went to Pretoria, they saw the issues in those stark terms, and they believe—and I think this is a fair characterization that the main reason the Secretary was there was in order to make a final effort toward peace.

Obviously, we are opposed to foreign intervention. Obviously, we are opposed to efforts by any outside power to attempt to determine a solution for African problems.

Those solutions must be found by Africans. We want to keep the area, an area of real self-determination, of real self-government, and an area which is not managed and controlled by certain powers or which is seen by others, super powers or otherwise, as a forum for international competition.

This is a strong motivation; but, the basic motivation is, as I say, essentially to take what President Kaunda said might be the last opportunity to see if we can avoid war as a solution for the problems of southern Africa and to contribute to a peaceful search by the parties themselves for a solution to African problems.

U.S. MILITARY PARTICIPATION IN SOUTHERN AFRICA

Senator CLARK. Congressman Solarz and many others have addressed themselves to the question of military participation, what the consequences of this might be militarily.

I must say one of the most attractive things about our Government's activity in southern Africa at the moment to me is the fact that we are trying to use our offices to negotiate a settlement rather than force or by threat of force, which I feel we have used far too quickly and far too easily. Not just in this administration, but in most administrations.

Here is a case where we can use our negotiating ability, our good offices, and perhaps even our position as a super power to help bring about a peaceful solution to avoid racial warfare in southern Africa.

I would be interested if you have information to the contrary—that we have no military relationship with any of the countries involved, that is to say, that we neither grant nor sell arms at the present time to Tanzania, Zambia, obviously Rhodesia, South Africa, Namibia, Mozambique, or Angola.

Because we have no transfer of arms of any kind, grants or sales, and because we have no overt or covert operations in that part of the country this seems to me to be a rather strictly negotiated effort.

Do you think that is a fair characterization of our participation there?

Mr. ROGERS. Yes; it is an absolutely fair characterization, 100-percent accurate.

I think you have identified also. Senator, as a matter of historic analysis, why this is such an importantly new chapter in the history of U.S. foreign policy in southern Africa.

It is an effort which is unqualifiedly based on a diplomatic search for a peaceful solution. The sole resource that we have contributed is the moral and diplomatic influence of the United States and the influence of the person of the Secretary of State.

We are relying solely and exclusively on these elements to make a contribution to the search for a peaceful solution.

Senator CLARK. Are you prepared, as an administration spokesman, to go on record here as saying that you cannot foresee any circumstances under which the United States would become militarily involved, directly or indirectly, covertly or overtly, in Rhodesia, Namibia, or South Africa itself?

Mr. ROGERS. I do not foresee any circumstances in which we would become militarily involved either covertly or overtly.

U.S. COMMITMENTS TO TRANSITIONAL GOVERNMENT, PRESENT MINORITY GOVERNMENT

Senator CLARK. I guess in relaiton to that, just to make the record perfectly clear, has the United States discussed any commitment to defend the transitional government or the independent Zimbabwe Government against attack?

Have we discussed any military assistance with the Rhodesian Government or the liberation group?

Mr. ROGERS. No.

I might say that it is our hope and our expectation that when the transition government is established, with major black participation, a black first minister and so forth, this will remove any incentive for continued attack by guerrillas on the newly constituted authority of Rhodesia.

It will be an authority which will have been legalized and legitimized by British enabling legislation and it will be a transition government to majority rule, writing a constitution for the independent nation of Zimbabwe.

In our judgment, the dynamic of the process, if it goes ahead in the way we now anticipate, will necessarily reduce the likelihood of violence; so that our plan is 180 degrees facing in the opposite direction from the contribution of military assistance.

Senator CLARK. Do you think in this regard that the Secretary has convinced Mr. Smith that the United States will not under any circumstance defend them against outside atack?

Mr. ROGERS. Yes.

Senator CLARK. I think that is important.

SOUTHWEST AFRICA SETTLEMENT STATUS

Many people have suggested that it would be even more difficult to get a settlement in southwest Africa or Namibia than in Rhodesia itself.

What is your view of that?

Mr. ROGERS. Mr. Chairman, having been invited to spend a fair amount of my time concentrating on these two problems. I have trouble deciding which is the more difficult of the two.

I really wouldn't want to offer you a comparative analysis of the odds in either area.

I duck the question.

Senator CLARK. Tell us this by way of orientation: Where is the setlement now? We noticed the Secretary of State met yesterday with Sam Nujoma, the SWAPO leader.

You discussed this with Mr. Vorster obviously and with the front-line Presidents. Where do you see it? How would you characterize its present status?

Mr. ROGERS. I would say this: In terms of my previous answer, I ought to make clear that I do not wink at the fact that there are certain complexities with respect to the problem in Namibia.

There are a complex of parties. Obviously, the South African parliament, SWAPO, and those persons who are participating in the conference, all of them and their interests and the interested persons whom they speak for and represent have to be taken into account, they are part of the equation of the process.

What we have been attempting to do quite frankly in Namibia is somewhat like the effort we have been making in Rhodesia. That is to say, an effort which will open up the possibilities by which the interested parties can themselves design the structure and process leading to an independent Namibia, an independent unitary Namibia.

Now, I think it is fair to say, Mr. Chairman, that we have gone beyond the first question of whether Namibia will become independent as a unitary state.

I believe that we are close to the attainment of the proposition that is going to occur. We are now faced, in general terms, with the question how? what process?

Here we have been in consultation with the parties—I ought to be more explicit—with the South Africans, SWAPO, and the front-line Presidents who have a distinct interest in the process.

We have been in consultation with those parties to make some suggestions about how that process could take place; meetings, under what terms, shape of the table, and so forth.

We do not yet have a final convergence of views as to that process, but we are continuing to explore it.

Senator CLARK. Then, you are not prepared to say that we are any closer to a conference now than we were before, or do you think we are closer?

Mr. ROGERS. Oh, no. I think we have made progress, quite frankly.

I would hate to characterize it beyond that. You know what happened in these negotiations is that the various parties were stalemated with fairly dug-in, entrenched positions.

Through the process of consultation, discussion between them, you begin, if you will, to bring them closer together on a number of issues.

Now, it also turns out that you solve the easy problems first, that the person offering his good offices always starts out with a few issues which he finds he can move the parties together on.

The issues that remain are by definition the more difficult ones. Now, therefore, when you begin to make progress by eliminating issues and

establishing a concordance of views on points one, two, and three, you still find that you have points four, five and six on the agenda which are still left for resolution.

That is where we stand now.

That is why although I am quite prepared to represent to you that we have made progress with respect to the Namibia case, which has been an active element in the discussions throughout the Secretary's trip, we are still not at the moment of a decisive breakthrough.

U.S. SUPPORT FOR U.N. NAMIBIA RESOLUTION

Senator CLARK. Is it fair to say that our position on Namibia remains one in support of the United Nation's resolution which we agreed to, which is ultimately to provide United Nations control of supervised elections in Namibia?

Mr. ROGERS. Yes. The answer is yes. Resolution 385.

SOUTH AFRICAN RACIAL DISCRIMINATION

Senator CLARK. I have expressed concern, others have expressed concern about South Africa itself.

You were very unequivocal in your statement about there being no quid pro quos with South Africa and its system of what you describe here, I think accurately, as institutionalized racial discrimination.

I would call it, I think, institutionalized violence; whatever the definition is.

So, just a couple of questions about South Africa itself before we talk about developments there.

Before the Secretary of State went to southern Africa, in a speech in Philadelphia, he made a strong statement about racial discrimination in South Africa.

I would like to ask if in his negotiations with South Africa the Secretary of State ever urged Prime Minister Vorster to undertake changes in his own country.

Mr. ROGERS. I think the best answer to the question, Mr. Chairman, would be to say that the issue of apartheid was discussed in the meeting in Germany, the Zurich meeting, and the Pretoria meetings, with the South African Prime Minister and others.

I would not like to address the specific question of the character of the conversations beyond that except to represent to you the position of the United States reflected in our public statements was carried over very clearly in all the private conversations that we had on this question.

Senator CLARK. Would you repeat that last part?

Mr. ROGERS. Were carried into and represented and reflected in undiluted form, in, all of the private conversations which have been had with South African authorities on this issue.

U.S. DISCUSSIONS OF MAJORITY RULE IN SOUTH AFRICA

Senator CLARK. Is it fair to say that the United States in their discussions with Mr. Vorster were not quite as vigorous in talking about majority rule there as we were in Rhodesia and Nambia?

Mr. ROGERS. Less vigorous?

Senator CLARK. Yes, not as vigorous, in speaking of majority rule, not just about racial discrimination, apartheid.

Mr. ROGERS. Well, I think it is fair to say that we discussed in the talks that we have had between the United States and South Africa in recent months both the political and the social dimension.

U.S. MEETINGS WITH OPPOSITION LEADERS

Senator CLARK. Let me ask you a somewhat different question.

I thought it was important that the Secretary of State, when he went to South Africa, meet with some opposition leaders and he did that.

My own view was that it would have been important to meet with stronger opposition leaders; and I would like to express that view.

It seems he might well have asked to meet with some of the people who have been arrested. Interestingly enough, several other foreign officials have met with people who were actually being detained and have been arrested by the South African Government.

The reason it seemed to me to be important was that, frankly, almost all of the leaders are in jail or at least are being detained; almost all of the so-called strong opposition leaders, those people that at any rate speak for the strongest opposition there.

However, there was at least one leader, Buthelezi, head of the Black Parents Association, for reasons unclear to me, has not been detained.

Why do you suppose the decision was made not to meet with people of this kind?

Mr. ROGERS. I can assure you of one thing, Mr. Chairman: the views, anxieties, frustrations, sensitivities of the black and colored communities about the system in South Africa came through very clearly in these conversations the Secretary did have with the leadership.

They were—as I think they indicated to the press after the meetings that they had with the Secretary—extremely candid, extremely outspoken in what they had said with respect to the situation in South Africa.

There was absolutely no filtering or dilution by virtue of the selection of the people that he did see. In no sense at all did the Secretary contribute to an unnatural moderation of the substance of what they had to say.

Senator CLARK. Did you meet with those people whom you wanted to meet with?

Mr. ROGERS. Oh, yes.

Senator CLARK. You saw the ones that you requested to see? You didn't request to see others that were turned down by the South African Government?

Mr. ROGERS. The South Africans entertained no objection to the proposals that were put before them.

Senator CLARK. So far as you know, you might have been able to see those in jail if you had asked to?

Mr. ROGERS. I just have no judgment about that. I know the list was given to us on the airplane, about proposals for whom we ought to see.

The Secretary accepted those.

Senator CLARK. Let me say I suspect there were some he should have seen that he wouldn't have been allowed to see. I know he wouldn't ask for my advice.

Mr. ROGERS. There were none on your list that weren't there?

Senator CLARK. Yes; oh, you are speaking about Chief Buthelezi?

Mr. ROGERS. Yes.

Senator CLARK. Well, that is neither here nor there.

I wonder if you could provide for the record the official public documents of U.S. response, both to the Sharpeville killings and to these recent uprisings, in other words, the public and official statements that have been made in both the Sharpeville case and the recent case.

I think it might be interesting to compare those and see what they show.

[The information referred to follows:]

Official U.S. Government statements issued regarding the Sharpeville killings and the recent disturbances in South Africa.

[Supplied by Department of State]

STATEMENT BY HENRY CABOT LODGE, UNITED STATES REPRESENTATIVE TO THE UNITED NATIONS, IN THE SECURITY COUNCIL, ON THE INSCRIPTION OF THE SOUTH AFRICAN ITEM

The United States supported adoption of the agenda and would like to set forth our reasons why.

Our position on this question was expressed clearly in Washington by Secretary of State Herter last Friday. At that time he stated that the United States favored Security Council discussion of his question. In so doing, he pointed out that the United States has followed the same policy on the discussion of Apartheid in the General Assembly for the last five years.

Since various comments have been made on the question of competence, let me state briefly our view of this matter.

The United States views on the interpretation and application of Article 2(7) of the Charter have been clearly established. I myself stated in the discussion of the question of Tibet at the last session of the General Assembly: "In the years since the establishment of the United Nations certain principles and rules concerning the application of Article 2, Paragraph 7 have emerged. It has become established, for example, that inscription, and then discussion, of an agenda item do not constitute intervention in matters which lie essentially within domestic jurisdiction." We hold the same view with respect to the Security Council that we do in the General Assembly.

When a question such as the present one is involved, Article 2(7) must be read in the light of Articles 55 and 56.

Under Articles 55 and 56 of the Charter, all members of the United Nations have pledged themselves to promote universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language or religion. During the 13th General Assembly the United States Representative in the Special Political Committee, Mr. George Harrison, expressed United States policy on these articles in connection with the Apartheid discussions on October 16, 1958: "No member of this organization could justifiably seek purposely to escape its pledge. No member could justifiably be excused from endeavoring to fulfill it. We believe that the United Nations can legitimately call attention to policies of Member Governments that appear to be inconsistent with obligations under the Charter and earnestly ask members to abide by the undertakings that they have accepted in signing the Charter.

"We all recognize that every nation has the right to regulate its own internal affairs. This is a right acknowledged by Article 2, Paragraph 7 of the Charter. At the same time we must recognize the right—and the obligations—of the United Nations to be concerned with national policies insofar as they affect the world community. This is particularly so in cases where international obligations embodied in the Charter are concerned."

The United States regrets profoundly the tragic loss of life in South Africa. Twenty-nine member states have brought this situation before the Council, stating that they consider it to have grave potentialities for international friction which endangers the maintenance of international peace and security. What this means is that in their view this situation is not only within the scope of Articles 55 and 56, but also of Articles 34 and 35. Such widespread concern testifies to the desirability of the Council considering the problem.

Let me say to the Members of the Council that the United States approaches this question with no false pride at all. We recognize that many countries, and the United States must be included in that list, can not be content with the progress which they have made in the field of human rights and that we must continue our efforts as we are doing to provide full equality of opportunity for all of our citizens.

In many countries unsanctioned violations of human rights continue to occur. But we think there is an important distinction between situations where governments are actively promoting human rights and fundamental freedoms for all without distinction as to race, sex, language or religion, and situations where governmental policy runs counter to this.

The question we are asked to consider today has its own particular background of geography, racial composition, cultural diversity and economic relationships. Even difficulties of this sort do not relieve a government of its obligations nor can they relieve the United Nations of its responsibilities. We think this question is a proper one for United Nations consideration and therefore supported the adoption of the agenda.

STATEMENT BY AMBASSADOR ALBERT W. SHERER, JR., ACTING UNITED STATES REPRESENTATIVE TO THE UNITED NATIONS, IN THE SECURITY COUNCIL, ON APARTHEID AND VIOLENCE IN SOUTH AFRICA, JUNE 19, 1976

Mr. President, the tragic events occurring in South Africa are a sharp reminder that when a system deprives a people of the basic elements of human dignity and expression, only the bitterest results can be expected. In 1960, over sixteen years ago, this Council met to consider a similar tragedy and called upon the Government of the Republic of South Africa to initiate measures aimed at bringing about racial harmony based on equality in order to assure that the present situation did not continue or reoccur, and to abandon its policies of apartheid and racial discrimination.

Mr. President, my government supported that resolution—and in the intervening years we have made repeated pleas, together with other members of the United Nations, to the Government of the Republic of South Africa to abandon the policies which were inevitably leading to the events we have witnessed in the last few days. In the present circumstances the frustrations of the black people could only find an expression in the form of rioting which has brought such dire consequences. That is part of the tragedy of South Africa.

My delegation has stated on other occasions that the basic facts about human rights in South Africa are clear and may be stated in two propositions. First, the majority of South Africans live under a system which deprives them of their basic human rights, and second, the South African system of laws is designed and administered so as to prevent that majority from taking effective peaceful action to alter this condition of fundamental deprivation. We call on the Government of the Republic of South Africa to take these events as a warning and to learn from them. They must abandon a system which is clearly not acceptable under any standard of human rights. There can be no dream of a future for a nation of South Africa that does not include both white and black working together in harmony and equality. Together with other members of the Council, we want to assure that the dream will not become a nightmare such as that we have witnessed in recent days.

Thank you, Mr. President.

STATE DEPARTMENT VIEW OF UPRISINGS

Senator CLARK. I would like to talk to you lastly about questions that we have been dealing with more specifically in these hearings on South Africa and South African development.

First, in a general way we have heard several accounts of recent events in South Africa and the direction such events may take.

How does the State Department really see the situation in South Africa now with regard to these uprisings and problems generally in South Africa?

Mr. ROGERS. As ominous.

Senator CLARK. As ominous?

Mr. ROGERS. Yes.

Senator CLARK. In what respect?

Mr. ROGERS. Well, we see the pace of events as quickening. I don't mean to present myself as a direct witness on a question, but my sense from my own perspective on recent events in South Africa is something along the lines of what Congressman Solarz was sharing with the committee.

That is to say, a feeling that there is a buildup of frustration and indeed outrage in many parts of the black settlements with respect to the system there; and that tension is rising very rapidly.

That's what I mean by ominous.

WILLINGNESS TO MAKE CHANGES FOR MEANINGFUL RESPONSE TO BLACK DEMANDS

Senator CLARK. Do you see any signs as an observer there—and I think the Secretary of State has accurately said several times your negotiations there and your concerns there deal with Rhodesia and Namibia and South Africa.

Mr. ROGERS. Absolutely.

Senator CLARK. I think you repeated it in your statement.

Do you see any signs that the nationalist government there is willing to make changes that would be considered meaningful response to black demands; namely, to share power with the blacks?

Do you see any hope for that? Any signs of it?

Mr. ROGERS. Well, I am trying to say to you that some measures have been taken recently, such as the move with respect to sports competition.

We hope that those measures, which don't go to the heart of the system of course, that those measures may indicate the possibility of advancement.

I am trying to say to you that we don't have a full reading yet on what those measures really mean and how far they really go.

I hope that they mean something important by way of programs for the future; but I want to carefully avoid any sense of judgment on our part that there is going to be a major policy advance by this government.

We do not have any information which has not been disclosed to the public with respect to that.

Senator CLARK. Would you agree with me that black demands are unlikely to be accommodated to the point of sharing in real political power in South Africa, that there would have to be some sharing of political power with blacks before there can be any meaningful accommodation to their position?

Mr. ROGERS. I take that to be the view a number of black leaders have expressed about how they think these matters can be resolved.

Many of them have been quite clear over and over again that that is a fundamental, nonnegotiable aspect of their demands.

SHARING OF POLITICAL POWER WITH BLACKS

Senator CLARK. Is it not also our Government's position that there has to be a sharing of political power in South Africa with blacks?

Mr. ROGERS. I think we have strong preferences. We have tried to avoid characterizing exactly the kind of solution that the Africans in South Africa have to find for their present problems; but, obviously, a sensible political solution has to be found and one which respects the right of all peoples to have a voice in their own political future.

Senator CLARK. I don't want to belabor this point, but I think it is important in terms of what our Government's position is with regard to sharing political power with blacks in South Africa.

It is my understanding—I may be wrong—that it is our Government's position that we believe political power in South Africa ought to be shared with all South African citizens and not just those who are white.

Am I wrong in that characterization of our position?

Mr. ROGERS. I don't know, Mr. Chairman, that we have been that precise with respect to how the issue needs to be resolved.

Senator CLARK. That is what we said in Rhodesia and Namibia?

Mr. ROGERS. Yes; we have.

Senator CLARK. We said we believed political power ought to be shared with all the citizens of Rhodesia and Namibia.

Why not South Africa?

Mr. ROGERS. Well, we certainly have said that we believe all peoples have the right to a voice in determining their own affairs and that that is an essential aspect of the solution in South Africa, or any other part of the world.

Senator CLARK. Let me see if I understand it.

Does that mean that we do favor all South Africans sharing in the political decisions of South Africa?

Is that our official position?

Mr. ROGERS. I think there will be a wide range of possible solutions that might be imagined to effectively implement the fundamental right, which is the right of self-determination; that is to say, that everyone ought to have a right to a voice in how his public affairs are managed.

We begin with that principle; how that is to be elaborated, extended, I think theorists and political model builders can come up with a wide variety of solutions.

I don't want to be driven too far in terms of describing the precise solution that South Africa must arrive at. In terms of the final issue of self-determination, a voice, that is clearly the right of every man and is a fundamental human right that must be implemented in South Africa as well as elsewhere.

Senator CLARK. That means sharing political power; doesn't it?

Mr. ROGERS. It means a voice in the political process.

Senator CLARK. A voice in the political process?

Mr. ROGERS. Yes.

Senator CLARK. So that, in terms of South Africa, it is our position that in these negotiations we think all South Africans ought to have a voice in their own political system; is that an accurate statement?

Mr. ROGERS. Yes; that the principle of self-determination must be respected.

NEW YORK TIMES ARTICLE

Senator CLARK. I am very fond of the New York Times but I never like to give them any more credit than they are due.

I notice that this morning in an article out of Dar-es-Salaam, John Dartman says:

> When the Secretary of State Henry Kissinger arrived here 2 weeks ago to start his mediation shuttle on the Rhodesian settlement, President Julius Nyerere of Tanzania said he hoped the trip would be at least, "a shuttle of clarity." The trip proved far more momentous than that but since then it turned into a shuttle of confusion.

Do you think that is an unfair characterization?

Mr. ROGERS. You want a yes or no answer?

Senator CLARK. Yes.

Mr. ROGERS. Yes.

U.S. OBJECTIVES IN SOUTH AFRICA

Senator CLARK. Let's look a little more now at South Africa.

Briefly describe our objectives in South Africa.

We had a lot of discussion about sharing of political power. It seems to me it really doesn't mean anything to not have a straight policy of sharing political power with all South African citizens.

In his speech, Secretary Kissinger spoke of the need to change the system of institutionalized discrimination that exists in South Africa.

What changes does he see or do we see as a government as reasonable to expect in the future and how are our current policies designed to encourage this kind of meaningful change?

Mr. ROGERS. Well, first in terms of the changes we anticipate as essential one need only examine the present structure of profoundly restrictive official regulations with respect to race relations in all respects: public facilities, relationships between the races in all social contexts, a wide variety of social contexts, economic discrimination, in a physical separation, educational issues, and so forth.

The present system is a highly elaborate one. The changes which would be required span, it seems to us, the entire spectrum of the present official system of discrimination.

Now, in terms of how we can help, it seems to me there are several areas as a centrality. One, by a clarity of our official position on the matter.

We tried to make a contribution to that through a number of ways, including most particularly the Secretary's recent statements.

Second, by the implementation of that policy in a number of ways; for example, with respect to arms embargo, ex-im limitations, and third, in terms of the reflection of that official attitude through the practices of our U.S. corporations in Africa.

Senator CLARK. I want to go to those questions of development now, but I make this point and raise the question because it does seem to me very important that in the process of negotiating for all rights, black rights and others in Rhodesia and Namibia, that we not forget the rights of blacks in South Africa.

Mr. ROGERS. Absolutely.

Senator CLARK. Because many of those blacks in South Africa are no more or no less important than those blacks in Rhodesia and Namibia.

It seems to me we ought to have the same policy toward all three. Although, I am pleased to hear you say again today, as the Secretary has repeated several times, there are no quid pro quos, that we are all aware of the fact that in the process of these negotiations, nevertheless, the very fact that we are negotiating with South Africa and with Mr. Vorster, the head of that Government, we are concerned that it not put us in a position where therefore we have to go softer on that question, simply because we are negotiating, that therefore we have to be more careful with what we say about South Africa and black rights there than we do in Rhodesia or Namibia, because if that is the case, it isn't a question of quid pro quo; it is a question of whether we are prepared to pursue those rights in the same way.

Mr. ROGERS. I would point out one thing, Mr. Chairman. The fact that we have been engaged in this process searching for the possibility of a peaceful solution, getting the parties together to work out a final eventual resolution of the crises in Rhodesia and Namibia, has not in any sense diluted or modified or softened the concern of the U.S. Government with respect to the problem of South Africa.

In fact, it ought to be recognized that this was the event, or the double event that led the Secretary to meet with the Prime Minister and essentially therefore resulted in the fact that the Secretary now has had on three occasions three opportunities to discuss the South African issue with the Prime Minister of South Africa, something that hasn't occurred in the last 20 years.

The fact that there were direct discussions on this issue between the Secretary of State and the Prime Minister of South Africa was so unprecedented that it was the first time since 1946 that a Prime Minister of South Africa had a direct talk with a Secretary of State of the United States on any issue.

We have now had three direct talks on this issue in the last year.

Senator CLARK. Let me be very blunt.

I agree with that, but it seems to me that in our discussions here today and elsewhere that we are much more forthright with our discussions and our attitudes toward black political rights in Rhodesia and Namibia than we are in South Africa.

I think we are driving those home much harder in the case of Namibia and Rhodesia than in the case of South Africa.

I think it may have something to do with the fact that we are in a negotiating process with Prime Minister Vorster.

Mr. ROGERS. We are in no sense loosening our position on this matter.

I think it is fair to say that we have been more explicit and concrete as to how the issue in Rhodesia might be solved; that is to say, the form in general terms of the transitional government, the institution of the process of consultation with respect to the constitution; black majority rule within 2 years.

These are specific concrete proposals that we have put on the table in order to get the process of consultation among the parties started.

We have not in the same sense gone to South Africa and said, "Here is the blueprint for the solution to the problem of South Africa."

That we haven't done yet.

Senator CLARK. I understand that.

Mr. ROGERS. We have not in any sense—by failing to do that—signaled either directly or indirectly that we are not profoundly interested for the search for racial justice in South Africa and that we are in any sense modifying or diluting our unqualified support for the basic principles of human rights in that region.

BLACK POLITICAL RIGHTS IN RHODESIA, NAMIBIA

Senator CLARK. Mr. Secretary, you believe that blacks ought to have political rights in Rhodesia and Namibia; do you not?

Mr. ROGERS. Absolutely.

BLACK POLITICAL RIGHTS, POWER SHARING IN SOUTH AFRICA

Senator CLARK. And you believe that blacks ought to have political rights and share in power in the central government of South Africa; do you not?

Mr. ROGERS. Yes.

Senator CLARK. I think that puts it on a much more even par.

We have a vote on the floor. Let me run over there. It will take about 6 minutes to get over there and back. Then we have questions on American business interests, loans, that sort of thing, for the remainder of the hearing.

I think we can dispose of those in about 30 minutes.

Do you have that much time?

Mr. ROGERS. Yes, of course.

Senator CLARK. Thank you.

We stand in recess.

[A recess was taken.]

SOUTH AFRICAN HOMELANDS POLICY

Senator CLARK. The committee will come to order.

In walking back, Mr. Secretary, I was thinking about one other point of clarification. I suspect the State Department has already taken a public position on this, but I can't recall it. You may want to call on others. Have we taken a specific position on whether or not we favor a unitary government in South Africa; that is to say, whether we approve or disapprove of the homelands policy? I know in the case of Namibia that we have announced that we are favorable to the unitary government, not to the Bantustans and homelands. I wonder if we have a position on South Africa?

Mr. ROGERS. Yes. I am advised that we have stated our disapproval of the homelands concept.

Senator CLARK. I am sorry. I can't quite hear you.

Mr. ROGERS. We have indicated our disapproval of the homelands concept as part of the system of apartheid.

Senator CLARK. That means, I guess, pretty conclusively that we will not recognize the Transkei on October 26?

Mr. ROGERS. We have that question under study, Mr. Chairman.

Senator CLARK. You have it under study?

UNITED STATES-SOUTH AFRICAN BUSINESS INVOLVEMENT RELATION TO POLICY INTERESTS

Specifically, we are interested in how U.S. business involvement in South Africa relates to U.S. policy interests there. For some time we have had a policy—you said in your statement—of neither encouraging or discouraging investment in South Africa and one of communication with both white and blacks in South Africa.

In your judgment, what has been the result of this policy? What success has it had over the past 6 years? What has been its impact on business operations in South Africa?

Mr. ROGERS. As a general proposition, I would be delighted to supplement this with data for the record. I think there are several things. In the first instance, Mr. Chairman, I think it has helped to make our oral position and view clear. That is to say, it has been elaborated and expressed through the practice and policies of U.S. corporations to the extent that it has. On the other hand, I don't think we ought to overstate the extent to which the U.S. corporate community has done as much as they could with respect to implementing those policies; and I think we can say that by and large the U.S. corporate investing community in South Africa has demonstrated a considerable degree of openness with respect to racial employment practices and that this has also, to a degree, increased the opportunities of the blacks.

OPPORTUNITIES FOR BLACK SOUTH AFRICANS

Senator CLARK. Is it your impression that American companies give greater opportunities to blacks in South Africa than the South African companies themselves do?

Mr. ROGERS. Yes.

Senator CLARK. You are under that impression?

Mr. ROGERS. Yes.

Senator CLARK. We would be particularly interested in having any concrete evidence to that effect, because it is one of the central questions of this entire hearing.

Mr. ROGERS. Let me see if we can supplement the record in that respect, Mr. Chairman, and substantiate the point.

[The information referred to follows:]

OPPORTUNITIES FOR BLACK SOUTH AFRICANS COMPARISON

(Supplied by Department of State)

Due to a lack of information the Department of State cannot state categorically that all subsidiaries of U.S. firms operating in South Africa have more enlightened employment practices than all South African firms. However, it is the considered opinion of our Embassy in South Africa, based upon recent visits to a representative sample of U.S. subsidiaries, that on the average U.S. subsidiaries are well up in the front rank of all firms operating in South Africa in terms of progressive employment practices. We believe that most U.S. subsidiaries have made considerable progress in improving their employment practices over the past four years, and we will continue to urge U.S. firms to achieve further improvement.

INVESTMENT ENCOURAGEMENT POLICY

Senator CLARK. If we are really improving the situation in South Africa through our investments, why have a policy of not encouraging

investments? If we have a policy of neither discouraging nor encouraging, if it is such a success, why don't we encourage it?

Mr. ROGERS. Well, I don't mean to say it has been an enormous success.

Senator CLARK. Somewhat successful. I overstated your——

Mr. ROGERS. Yes. I think there are other considerations on the other side. I think it would be a mistake for us to suggest that U.S. corporate investment is an engine for change so remarkable and decisive that we ought to encourage it for that reason alone. This is the basic reason why we have maintained a policy of strict neutrality and have said that the decision whether or not to go in is really a decision for corporate management itself and not for the U.S. Government.

Senator CLARK. In the case of Namibia, we have really discouraged it, have we not?

Mr. ROGERS. Absolutely.

Senator CLARK. What is the distinction there? I think there is one, but what it is?

Mr. ROGERS. A fundamental international legal distinction. That is the distinction of the status of Namibia, Southern Africa, subsequent to the determination by the World Court.

Senator CLARK. You would see our policy in South Africa in terms of neither discouraging nor encouraging as a successful policy and one we ought to continue to follow?

Mr. ROGERS. At the present time, this is our policy and we will continue to maintain it. I don't mean to say that that is the end of the policy. I think, as I indicated in my statement, that there are other things that we should consider with respect to policy guidance and advice to the corporate community with respect to investments and trade in and with South Africa.

We have before us a number of suggestions that have been put on the table of this very committee; and we are thinking about those. We are anxious to see what your report suggests, Mr. Chairman; and we have a few other things, as I indicated in my statement, that we are thinking about.

Senator CLARK. Good.

EXPORT-IMPORT FACILITIES, TRADE COMMISSIONS

As part of this policy, we restricted export-import facilities to South Africa, particularly direct loans; and we have not had trade commissions in South Africa. To what extent has this had any impact on business in South Africa or the U.S. trade with South Africa in your judgment?

Mr. ROGERS. Well——

Senator CLARK. What effect has that policy really had?

Mr. ROGERS. You correctly state the policy with respect to Eximbank loans and no U.S. Government-sponsored trade mission. I wonder if there is an extent to which we can quantify the effect. It has been more than zero. I would like, if I could, Mr. Chairman—if you want an effort at quantification of it—to see what we can provide to supplement the record on that point as well.

Senator CLARK. Fine.

[The information referred to follows:]

QUANTIFICATION OF INCREASE IN THE LEVEL OF U.S. EXPORTS TO SOUTH AFRICA

(Supplied by Department of State)

The Department of State does not believe that it is possible to quantify with any degree of reliability the size of the increase in the level of U.S. exports to South Africa if the present U.S. Government policy toward South Africa were changed to permit the granting of direct Export-Import Bank loans to South Africa and the full range of export support activities. Our present policy has been in effect for over 10 years. Generally, U.S. firms have not submitted requests for assistance which is unavailable under the present policy, and therefore we have no accurate measure of the potential incremental increase in U.S. exports which might result if our policy were changed.

TRADE POLICY OBJECTIVES ACHIEVEMENT, NEUTRALITY

Senator CLARK. Do you think the objectives of these policies have been achieved?

Mr. ROGERS. I think they have been right and correct again as an extension, an expression of our policy. Eximbank loans obviously would have been a form of direct U.S. support for investment in South Africa. Since our policy is one of neutrality, extension of Eximbank lending facility would have gone too far in that direction.

Senator CLARK. The thing is so far for me to understand is where you draw these lines in terms of policy. I am not saying it is an easy matter to resolve.

Mr. ROGERS. I don't like to pretend it is either.

Senator CLARK. Here you say we are not going to have direct loans because we don't want to encourage, but we are going to have all the rest which are probably more important than the direct loans, if combined. We are going to have guaranteed loans, a certain type of discount loan. Why does that make sense? It seems to me that we ought to say we really want to encourage investment or we really want to discourage investment. You call it a neutral policy; but—that is about the best you could say for it, I think. Why isn't it a good idea either to loan money there or not to loan money there? What difference does it make whether it is a guarantee or a direct? Why does that indicate neutrality?

Mr. ROGERS. Well, there is a difference between Eximbank facilities for direct loans which improve considerably the competitive posture of U.S. business there; and another distinction that has to be made is that we are really talking about two different things. One, loans for the financing of the export of U.S. goods which is a trade issue, and two, support for a government subsidy for investment in South Africa.

Senator CLARK. But both presumably assist in the same goals?

Mr. ROGERS. Oh, no. Investment is really quite a different thing from trade. Trade is a sale for money of a U.S.-produced product.

We have not attempted to cut off exports from the United States to South Africa, except in certain areas; and, in fact, it is the general policy of the U.S. Government to promote exports everywhere. Trade as a general proposition we regard as largely a neutral policy by the United States.

Investment on the other hand, is a different thing. There we maintain the policy of strict neutrality by neither encouraging nor discouraging.

EXIMBANK LOAN GUARANTEES TO PEFCO

Senator CLARK. Now on this same question, one point that came out in the earlier hearings is the very close relationship between the Eximbank and the Private Export Funding Corporation. As we understand it, Eximbank not only guarantees and approves of all PEFCO loans, but also extends a line of credit to PEFCO. Does the State Department see anything wrong with permitting Eximbank to make nearly $100 million in direct loans to South Africa?

Mr. ROGERS. The PEFCO facility as you are aware, Mr. Chairman, is privately owned and financed; and it essentially functions in the same way as a bank does when a bank goes to Eximbank to guarantee a loan, again involving the financing of the export of U.S. goods to South Africa.

The PEFCO facility was organized in 1970 by the commercial banks. We do not think, therefore, that this constitutes an inconsistency or a conflict with the policy which prohibits direct Eximbank lending to South Africa.

Senator CLARK. But it is true, is it not, that the Eximbank has a very special relationship to PEFCO and that they have, in effect, a veto for all loans that PEFCO can make?

Mr. ROGERS. I can't confirm that that is precisely the case.

Senator CLARK. Perhaps you could supply that for the record.

Mr. ROGERS. I will do that.

[The information referred to follows:]

EXIMBANK LOAN GUARANTEE TO PEFCO

(Supplied by Department of State)

The Export-Import Bank has advised the Department of State that it guarantees all PEFCO loans and approves such loans prior to PEFCO commitment.

Senator CLARK. I think that was the policy. They have an absolute veto over all loans.

U.S. COMPANY LABOR PRACTICES

Another aspect of our policy toward South Africa has been to encourage American companies to adopt more progressive labor practices in South Africa. A few years ago, the Department released a short report on American companies and their practices; and this encouragement—while I think it is very praiseworthy—has been extremely low key to say the least. Do you feel that the policy has been effective? I gather from your earlier answer that you do feel these labor practices have been something we could be proud of and something that have really changed the situation and improved it, at least in a small way, working conditions in South Africa; is that a correct characterization?

Mr. ROGERS. That is correct. In our judgment, as I indicated earlier, I think that it has meant that U.S. firms are in the front ranks with respect to employment practices in the region. We are aware of the proposition that there is room for improvement still by U.S. firms with respect to labor practices in South Africa.

We are focusing on that question of the extent to which we can continue to improve it.

We have, though, as you indicated, in the February 1973 statement set down a number of strong guidelines, general goals which we think firms which do decide on their own to invest, carry on business in South Africa, should adhere to. The idea of equal pay for equal work, adequate pension insurance, adequate medical facilities and so forth. I think both on the public and private side, both on the extent to which we can reinforce those goals and the extent to which U.S. companies can adhere to them, there is room for improvement.

Senator CLARK. I think that is right. I think what we would like to do is encourage the Department to take a much more active and visible role in encouraging companies to be more progressive in these activities. We have queried companies here at this committee on the kind of encouragement or discouragement that they have received from our government. It seems to me on the whole that although these principles are laid out in a document, that there hasn't been a very aggressive and active policy by our government to insist upon better conditions. This really breaks down into two areas. If you are going to have investment—that is the first question, should we have investment or should we discourage it by denying tax incentives. The second question is if we are going to have investment, that we have a strong policy of encouraging our employers to do the very best job they can. I think it is really an open question at this point based upon what testimony we have received as to whether American companies or other foreign companies.

I might say, we are sending a questionnaire to each of the companies, over 300, that do business in South Africa to try to determine that more specifically. I wouldn't want to try to prejudge that, but it does seem to me that we have a very long way to go. The people we had before this committee—and some of them were our best employees there. IBM is an example of that.

A couple of points come to mind immediately.

One is that no American company has ever had a black in a supervisory position over a white, in any company in South Africa; not one.

Or again, as we looked at the record of accomplishment of General Electric, for example—I don't think they are by any means the worst employer in South Africa. They may be better than the average, for all I know; but they have been able to move in the last 4 years, and were very proud of this—seven people into the top three categories. They have 12 categories of work. They have been able to move seven up into the top three. There are 700 whites, 692, I think, to be exact in those categories. It just seems to me that we have—we may have made some progress. We have not done nearly as much as we could even consistent with South African laws, which I find, much to my surprise, are not as restrictive when it comes to questions of equal wages as I would have thought.

If the companies want to pay equal wages for equal work, there is not much to restrict them in terms of government laws.

STATE DEPARTMENT GUIDELINE ESTABLISHMENT

We hope that the Department would look very hard at some alternatives. It seems to me there are a lot of things that could be done. One of them would simply be to hold a conference or a White House meet-

ing, something of that kind in which we call in all the companies, sit down with them, and say "What are we going to do? Can you establish some guidelines of your own short of passing laws and so forth, that would be assured that all of us here are working toward the same direction that presumably you want to support the objectives of American foreign policy," and—I would ask you to take into consideration some active participation in that direction.

Mr. ROGERS. It is an excellent idea. I take your point absolutely, Mr. Chairman.

We will take that under advisement; and I might add that we would look forward to your final report on this issue with anticipation. These hearings have made a major contribution to understanding how through U.S. corporate behavior and other ways our basic policy in South Africa can continue to be expressed.

INCENTIVES TO SOUTH AFRICAN INVESTORS

Senator CLARK. Any suggestions that U.S. companies take a more active role in promoting aggressive labor practices in South Africa will probably require some sort of government interest and action. Do you have any particular ideas of how U.S. policy or how we here in the Senate and the Congress might be able to provide greater incentives to companies to be progressive in South Africa over and above what we just talked about?

Mr. ROGERS. Our basic feeling on that, Mr. Chairman, is that good corporate behavior is probably not best insured by legislation.

On the other hand, we feel that a lot can be done through counseling, urging, and setting forth clear guidelines for U.S. corporate investors to follow. I might tell you there was a conference yesterday and today on international economic policy; and I spoke to the conference; and I spent a fair amount of time on this very issue.

They expressed what you have suggested; that they were not entirely clear about U.S. policy, in spite of the fact that we have sent out the guidelines on two occasions to all U.S. investors in South Africa.

They talked about the need for better understanding through better communication between government and the private investors in the area.

I think we can do that; but as I say, I think our feeling now is that to try to exact it through legislation, tax provisions, and so forth, is probably not the best way to do it.

LABOR ATTACHÉ WORKING WITH U.S. COMPANIES

Senator CLARK. One suggestion that we had in mind was for the State Department to consider at least taking one of its labor attachés in South Africa to work full time with the U.S. companies to try to spur American companies to provide greater employment opportunities there. Does that make any sense to you? Or perhaps you could talk to the Defense Department about taking one military attaché; we have more military attachés in South Africa than any other country in Africa, I think; don't we? Can anybody in your entourage answer that? I think that is the case. We have more military attachés to South Africa than any other country, even though we have a volunteer arms

embargo against South Africa. Why couldn't we take somebody there, or one of the commercial or labor attachés and get them more active on these policies in South Africa. Is that a possibility?

Mr. ROGERS. Well, I don't have the impression that any of the attachés that are there at the present time are not active.

Senator CLARK. Are not active?

Mr. ROGERS. I know they are charged with the responsibility for carrying out and implementing, making clear and communicating that policy. Now, I agree with you: We ought to look carefully at that aspect of it to see whether or not we are putting enough of their time, the labor attaché's time, and that of the other members of the embassy apparatus, into the effort to communicate the goals and guidelines to the American companies that are there. We will take a look at that.

ACTIVITIES OF LABOR ATTACHÉ

Senator CLARK. Would you be willing to provide this committee with a brief report on their activities, what they are doing now, and what we might do to improve that?

Mr. ROGERS. I will be delighted to do that. We will have the report to you very shortly, Mr. Chairman.

[The information referred to follows:]

DUTIES OF LABOR OFFICER ATTACHED TO AMERICAN CONSULATE GENERAL IN JOHANNESBURG

(Supplied by Department of State)

The Labor Officer attached to the American Consulate General in Johannesburg has the following duties: (a) to prepare reports on significant labor and labor-related developments in South Africa, with particular attention to South African Government labor legislation, policies and programs affecting urban Africans and other non-whites, trade union developments including strikes and disturbances, and wage and labor policies of U.S. firms in South Africa; (b) to maintain a dialogue with responsible government officials and principal trade union leaders; and (c) to report on labor developments in Botswana, Lesotho and Swaziland. This statement of work responsibilities is presently being revised to give greater priority to the monitoring and advising of U.S. firms on liberal employment practices.

Normally the Labor Officer spends about 50 percent of his time surveying and analyzing the employment practices of U.S. firms. However, during the past six months the Labor Officer has spent about 90 percent of his time surveying employment practices, and the new Labor Officer, expected to arrive in Johannesburg in early Novmber, will at least initially be spending almost full time on this subject. The Labor Officer is generally accompanied by the Consul General or the commercial officer of the appropriate Consulate General when making calls upon U.S. subsidiaries.

The Department of State does not believe that the Labor Officer should spend all of his time on the subject of employment practices. It is important that the Labor Officer also expand his contacts with unregistered black unions, maintain contacts with training centers and various groups involved in upgrading the skills of black workers and combatting restrictive rules, and keep in close contact with the white-controlled labor organizations in order to encourage liberal elements and to demonstrate U.S. Government concern with present labor policies.

Our Embassy and Consulates General in South Africa are giving increased attention to the subject of employment practices. Commercial officers stationed in Johannesburg, Cape Town and Durban will assist the Labor Officer by devoting more time to this subject through increased contact with U.S. subsidiaries in their consular district. These officers will be supported by the concerted efforts of the American Ambassador and other senior U.S. officials to encourage improved employment practices in contacts with senior executives of the U.S. subsidiaries.

The Department of State will also emphasize the importance of improved employment practices in conversations and meetings with representatives of U.S. parent firms.

TAX CREDIT LEGISLATION EFFECT

Senator CLARK. You said perhaps we shouldn't have a stronger legislative policy, meaning tax credit legislation. In your judgment what would be the effect of a stronger policy against new investments on our relations with the South African Government? Suppose we were to do that? What effect would that have? Suppose we just said, "Look, apartheid is just too distasteful to us, separate development, racial discrimination; we are not going to provide tax credits." Suppose the Congress passed that and the next President signed it? What effect would that have?

Mr. ROGERS. There are several consequences that you have to consider very carefully. One is that to the extent that it has an effect on drying up investment, you are also drying up job opportunities.

The second thing is that to the extent that it has an effect on drying up investment, you are drying up whatever exemplary behavior the corporation might conduct if it made the investment.

The third point is—and I think Congress must face up to these issues when it considers this kind of legislative effort to protect policy in other countries—the administrative difficulty, first of articulating a standard which makes sense, which goes far enough but doesn't produce irreconcilable conflict for the corporation between what is expected under U.S. law and what is required under South African law; and second, just the problem of monitoring, enforcing, penalizing. Every law that is enacted, which expresses and extends a U.S. policy preference into another country requires an enforcement machinery. We in the Executive branch have the obligation to follow the law and to insure that it is complied with by those who are subject to it; so that I would urge you, and the rest of Congress, to consider very carefully the enforcement and implementation requirements that you were putting on us in the executive branch by any such enactment that you may——

Senator CLARK. Do you feel that that imposition in the case of the Rhodesian sanctions was something that was handled adequately? You are able to do that in the case of Rhodesia quite effectively, were you not?

Mr. ROGERS. Oh, yes. I don't mean to suggest it is impossible. All I am suggesting is that the implementation be seriously considered. Only that.

Senator CLARK. Actually I don't know how much effect it would have one way or the other, other than the principle, I guess, whether you believe the investments are morally right or wrong. It is my recollection that our present book value investments are about $1.6 billion in South Africa. That gets jobs, I think, for about 90,000 people out of a work force of about 8 million; 90,000 out of 8 million, which I guess would be about 1½ percent of the work force. So 98½ percent of the work force wouldn't be affected much by it one way or the other? On the other hand, you could argue and say if it is a model, that it might have some greater impact. Fifteen percent of South Africa's foreign investment is American. That means that it would be a very small part of their total economy.

Mr. ROGERS. It is about 1 percent of the total economy.

Senator CLARK. No, no. Total foreign investment.

Oh, total economy. Do you know what that percentage is?

Mr. ROGERS. In my statement I indicate a little over 1 percent.

Senator CLARK. The total impact it seems to me is not going to be very great on anyone. Which, to me, is in a sense all the more reason perhaps to look at it from the point of view of principle. You know, if we really feel——

Mr. ROGERS. It cuts both ways, Mr. Chairman.

Senator CLARK. Yes; it does cut both ways. You might say your morality is not very strong.

Mr. ROGERS. Well, you are not interested in my theological views.

Senator CLARK. Oh, I might be. That is popular these days.

[Laughter.]

Mr. ROGERS. Particularly in foreign relations.

Senator CLARK. It seems to me if we felt these investments were really supporting a system that we found ourselves strongly in disagreement namely the apartheid system, that it wouldn't cause any great disruption to our economy to discontinue those investments. Now, if we felt that they weren't, then there wouldn't be any reason to discontinue. I dont' think there are very compelling economic arguments for not following a principle that we felt we believed in it, that was right.

Mr. ROGERS. I haven't advanced any arguments based on economic self-interest. I think the important point, however, in all foreign relations is not to kid ourselves. Obviously we are interested, profoundly interested, in doing what we can with respect to the system in South Africa; but we want to be effective in that respect; and I think, as you point out, the extent to which U.S. investment plays a role in the South African economy is fairly limited.

MAINTAINING STATUS QUO

Senator CLARK. Many critics of U.S. investments in South Africa argue that the investment affects our policy there, by giving us a vested interest in maintaining the status quo. Many people say you get those investments in there, you don't want instability, disruption; therefore, all the pressure from those companies is in the direction of maintaining the status quo. What is your judgment on that?

Mr. ROGERS. Not at all.

Senator CLARK. Why not? Why does that not make sense?

Mr. ROGERS. Well, the national interest is not affected in any considerable way by those investments or by the proper remittances from them. As I indicated, both in terms of overseas investments by U.S. interests and in terms of total exports for the United States, South Africa constitutes a small fraction. The growth and the annual monthly fluctuation in our exports is considerably larger than the total exports of South Africa itself. There would be no reason to compromise our basic position and principle in order to protect, enhance, expand, or defend those economic investments in South Africa.

LOBBYING OF STATE DEPARTMENT

Senator CLARK. To what extent does the investment affect the policy through a more active role of these companies lobbying you, however?

Mr. ROGERS. Lobbying? I have never been importuned by any company.

Senator CLARK. You think the State Department is not lobbied?

Mr. ROGERS. To modify its position on apartheid?

Senator CLARK. Yes.

Mr. ROGERS. No.

LOBBYING CONGRESS CONCERNING RHODESIAN CHROME LEGISLATION

Senator CLARK. I know from my little experience in Congress a much less significant investment, namely Rhodesian chrome, when it came time there was an enormous lobby in terms of the effect they had upon Congress.

Mr. ROGERS. Of course, that was a piece of legislation that went directly to the question of whether or not to import Rhodesian chrome.

I represent to you that we have nothing like that in terms of U.S. corporations coming to us and among us to qualify our position with respect to apartheid.

Senator CLARK. Just a couple of additional questions.

U.S. STAND ON RACIAL POLICIES

What would be the effect on our relations with South Africa if we were to take a much stronger stand on racial policies in South Africa, let us say, ending Export-Import Bank facilities and by stating clearly our support for majority rule in South Africa as we are in Namibia, as we are in Rhodesia? Therefore, no more Export-Import Bank credits. Do you think that would be counterproductive? How does the Department feel about that?

Mr. ROGERS. I am having trouble with respect to your suggestion that we make a clear statement on the issue. I have been operating under the assumption that the Philadelphia speech and other statements the Secretary and others have made since on the South African issue were quite clean-cut.

Senator CLARK. Let's just talk about the economic aspects then rather than the political. Do you feel that it would be counterproductive if we were to take an absolute line on investments there and Export-Import Bank loans and so forth? Do you feel that would be counterproductive? Is that why you oppose it?

Mr. ROGERS. You mean counterproductive in terms of the pace at which the present authorities in Pretoria are prepared to move towards dissolution of apartheid?

Senator CLARK. Yes.

Mr. ROGERS. I haven't made a reckoning, quite frankly.

ARMS EMBARGO CIRCUMVENTION EVIDENCE

Senator CLARK. Congressman Solarz raised the question concerning the U.S. arms embargo on South Africa. He mentioned there was

some effort in his judgment to circumvent this embargo. Of course, that charge has been made on a number of other occasions; namely, that there are different kinds of equipment that could be used in military ways that could have gotten through the embargo. Does the State Department have any evidence of circumvention of the arms embargo? Is there any evidence that such sales may be going on through third parties, for example?

Mr. ROGERS. Of U.S. equipment?

Senator CLARK. Yes.

Mr. ROGERS. The answer to your question is no.

Senator CLARK. No evidence?

Mr. ROGERS. There has been one small case of a prosecution because of a small arms sporting gun sale.

Senator CLARK. What was that? Can you identify it more closelv for the record?

Mr. ROGERS. I can provide the specific citation.

[The information referred to follows:]

ILLEGAL SHIPMENT OF PISTOLS TO SOUTH AFRICA

(Supplied by Department of State)

During May 1976, a Federal Grand Jury in a U.S. District Court in Connecticut heard evidence involving the illegal shipment of pistols to South Africa via Europe. A former employee of Colt Industries was convicted of making a false statement in an application to export firearms. The U.S. Department of Justice is investigating the possibility of other diversions of small arms to South Africa.

Senator CLARK. I am thinking more in terms of transfer through third countries. As you know, to pick one out of thin air, Israel recently sold the South Africans weapons. We supply the Israelis with weapons. Do you know whether the Israelis have supplied the South Africans?

Mr. ROGERS. There is no evidence of that whatsoever. We have methods of monitoring as to whether or not they are continuing to abide by the restrictions which are laid down in the transfer agreements. So we can say with, I think, considerable assurance that there is no diversion through third countries of arms to South Africa.

Senator CLARK. Mr. Secretary, and others, we thank you very much for staying here for 3 hours. I think it has been very helpful to us. We appreciate it.

Thank you.

Mr. ROGERS. Thank you.

Senator CLARK. The hearing is adjourned.

[Whereupon at 12:35 p.m., the subcommittee adjourned subject to the call of the Chair.]

APPENDIX

Statement on Employment Practices of U.S. Firms Operating in South Africa

(Supplied by State Department)

In February 1973 the U.S. Department of State issued a paper entitled "Employment Practices of U.S. Firms in South Africa", one purpose of which was "to assist in indicating some of the areas of activity in which firms" could "improve their labor practices." The paper dramatized the leading innovative roles which many U.S. firms had played up to the beginning of 1973 by citing a substantial number and variety of specific instances in which they had undertaken to improve the wages, working conditions, fringe benefits, and opportunities for advancement, and to enhance the dignity of their black workers. At the same time, it pointed out that a great deal remained to be done in these areas.

Since this paper appeared, many U.S. firms, responding to rapidly changing circumstances, have continued to improve their employment practices and to support community social action programs. The principal purpose of this statement is to urge that U.S. firms persist in availing themselves of every reasonable and legally permissible means to ensure that all of their employees and their families have what they need to pursue decent and productive lives.

We do not consider it either necessary or desirable at this time to try to prescribe a long list of specific goals or detailed blueprints for action. There is already available in South Africa a large and growing body of current statistical and other information upon which firms can base determinations as to what constitutes a decent wage in a given set of circumstances or which fringe benefits would be most useful in supplementing local capabilities and resources in such basic areas as education and housing. This being the case, the following goals are illustrative rather than definitive or comprehensive.

To pay the "rate for the job" or "equal pay for equal work";

To provide adequate pension, insurance and medical benefits;

To provide supplementary educational facilities for employees and their children;

To assist employees and their families to obtain adequate housing;

To provide skills training on a regular basis aimed at higher productivity;

To provide opportunities for advancement based solely on merit.

The 1973 paper recommended a number of mechanisms for the achievement of these and related goals. However, in view of the changes which are now taking place in the industrial relations picture in South Africa, we believe that considerable attention should also be given to improved communications between employers and employees using all available channels of communications. This would encompass being prepared to engage in collective bargaining with legitimate representatives of black workers including representatives of unregistered trade unions if, as and when they come into existence. We note in this connection that, while unregistered unions are not specifically provided for in South Africa's industrial relations legislation, they are not illegal. Several black unregistered trade unions are now functioning in Natal and the Transvaal and one very large black unregistered union has been operating successfully for many years in the garment industry.

We believe that there are valid and obvious arguments supporting the continuation of the leading innovative role which U.S. firms are playing in the field of employment practices in South Africa. In the first place, enlightened employment practices result in greater worker productivity and efficiency; second, they publicly demonstrate the U.S. employer's world-wide commitment to the principles of social justice; and third, thty are a mechanism for the promotion of peaceful economic and social progress.

September 1974.

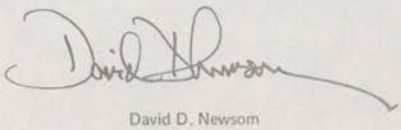
EMPLOYMENT PRACTICES OF U.S. FIRMS IN SOUTH AFRICA

DEPARTMENT OF STATE
Bureau of African Affairs
WASHINGTON, D.C. · FEBRUARY 1973

PREFACE

The role of American firms in South Africa is a subject of increasing interest, both to the general public and to the companies themselves. The Department of State has received inquiries over the past several years regarding what is being done and what can be done within the laws of South Africa to upgrade employment practices and employee services in that country. In response to these queries, we have compiled the attached information and suggestions regarding the problem and the personnel policies of subsidiaries of U.S. firms in South Africa. It should be pointed out that the discussion advanced in this paper is illustrative and not exhaustive. Although some firms have been cited for their notable progress in specific areas, that does not necessarily indicate an endorsement of their total program or personnel policy. The purpose of this paper is nevertheless to assist in indicating some of the areas of activity in which firms operating in South Africa can usefully improve their labor practices.

This data is being made available to all U.S. firms known to be operating in South Africa and to others on request in the hope that it will be informative and useful.



David D. Newsom
Assistant Secretary for
African Affairs

The data provided in this publication is considered to be valid as of January 1973. Changes in the situation, however, are constantly occurring. Individual company names are used where the information is in the public domain or the company concerned has made clear it would not object to being cited. Unless otherwise indicated information not ascribed to particular sources was acquired directly from the firm involved. Since the Department of State has a continuing interest in developments in this field, further information on how U.S.-controlled firms in South Africa are improving their employment practices would be welcomed and appreciated. Such information may be addressed to the Office of Southern African Affairs.

IMPROVING EMPLOYMENT PRACTICES OF U. S. FIRMS IN SOUTH AFRICA

The Problem

Some Americans claim that American firms in South Africa provide material and moral support to South Africa and apartheid. Others argue that their presence helps bring about constructive change. Since January 1971, U.S. firms have begun to focus on their employment practices. More and more of them have found that, despite the prevailing custom, it is possible to make significant improvements in the working conditions of non-whites in South Africa without South African Government objection and, in some cases, such as the raising of wages, with the South African Government's approval.

South Africa Today

In the name of apartheid—separateness—South African society, and, thus, the South African economy have institutionalized policies in favor of whites and against blacks.[1] Non-white working men face stringent bars to advancement and to certain kinds of employment. They receive substantially less pay for the same work, often have fewer and less valuable fringe benefits and are not protected as employees by the law governing labor-management relations. Their unions have no standing and they are prohibited from striking.

In early 1972 the average wages for whites in manufacturing were $457 per month, six times as much as for the Africans ($76), with Coloreds and Asians at $111 and $128 respectively. In mining, blacks received an average of $28 and whites $511, about 18 times as much, while Coloreds got $110 and Asians $147. Other sectors had ratios ranging from a high of 7.4 times as much for whites as for blacks in provincial administrations to a low of 3.5 times as much in retail trade, where whites received an average of only $208 a month.

To some extent this imbalance results from the greater skills whites have as a result of better educational and other opportunities but it also reflects the bars to non-white advancement.

Industry Needs Blacks in Better Jobs—The shortage of skilled labor places great pressure on government and industry to make more effective use of non-white workers. Employers desperate for workers are hiring blacks for jobs previously held only by whites. Normally the government intervenes only if a complaint is made. As a result, the official figures probably understate the number of non-whites doing skilled and white-collar work. White-black employee ratios were relaxed in several established industrial areas a little over a year ago and the government has made clear in public statements that it favors initiatives by industry to improve the training and skills levels of non-whites.

The U.S. Stakes—Department of Commerce figures for the end of 1971 show the total book value of direct private American investment in South Africa as $964 million, 11.1 percent higher than the figure for the end of 1970. U.S. investment is about 17 percent of total direct private foreign investment in South Africa. American investment in all categories, including portfolio investment, amounts to about 15 percent of total foreign investment and between two and three percent of all investment in South Africa.

In 1971 repatriated earnings from U.S. investment there contributed about $58 million to our balance of payments. On a worldwide basis, our investment in South Africa is 1.12 percent of our total direct private investment and accounts for 1.06[2] percent of our earnings from overseas investment.

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[1] Throughout this paper "blacks" and "non-whites" are used interchangeably except in those instances where intergroup differences are cited.

[2] In past years this percentage has been higher.

The Issue for U.S. Firms—American investment in South Africa has long been criticized for its presence in a country with institutionalized racial discrimination. This criticism has increased over the last two years to a level that has caused many firms to reexamine their positions. Some of the critics feel that the only acceptable solution is total withdrawal of American business from South Africa. They charge that any benefits a firm's presence in South Africa might provide to individual blacks are more than outweighed by the benefits and moral support that presence provides adherents of apartheid and by the danger that it might influence American policy, in event of civil conflict, to support the white minority. Other critics push for American companies to establish a solid record showing that their presence, as many firms claim, is beneficial to the blacks of South Africa and an influence for peaceful change.

American church groups of many denominations have played a leading role in publicizing what American firms are doing in South Africa and in organizing stockholder campaigns to bring about changes, as in the cases of General Motors (GM), Mobil, and International Business Machines (IBM). Increasing numbers of stockholders, particularly institutional investors, are becoming convinced that they should vote their stock according to conscience in matters related to a firm's social responsibility.

Students, labor, and black groups have also been active. The Polaroid experiment (see below), which highlighted the current interest in this problem, was itself occasioned by an employee campaign against sales to the South African police and, more generally, against any ties with South Africa. Boycotts have been undertaken in some cases and demands relating to U.S. business in South Africa have regularly been prominent in statements issued by significant black groups.

The increased public concern over this question has led to the introduction of bills in Congress. One, introduced by Congressman Charles Diggs (D-Mich.), would make eligibility for U.S. Government contracts depend on fair employment practices in South Africa. Other legislative initiatives are also likely, such as a bill requiring firms to report on their employment practices in South Africa.

Outside of the United States, there has been repeated generalized criticism by black Africans of the presence of American firms in South Africa. This could grow and could significantly affect the climate in which American companies pursue their interests in the rest of Africa.

U.S. GOVERNMENT POLICY

The U.S. Government neither encourages nor discourages private investment in South Africa. Interested companies that seek government advice receive a full briefing on the problems and benefits of operating in that area. The final decision is theirs. Firms having or making new investments in South Africa are encouraged to adopt enlightened employment practices for all their employees.[3]

Improvements in labor practices can be a catalyst for change in the South African situation. They provide black employees and their children with the skills and experience they need to pursue their own destinies. They encourage South African and other foreign firms to adopt similar improvements. In this regard the U.S. Government considers it important that firms of other foreign countries also seek to improve their employment practices, since American firms represent only a small part of the total in South Africa.

Both the Department of State and the Department of Commerce suggest specific areas of improvements to those firms which seek such information.

THE BUSINESS RESPONSE

Until two years ago most American firms in South Africa did not seem to have a record in employment practices and community activity noticeably different from that of their South African counterparts.

Today (January 1973) that picture is changing, as more American firms recognize that the South African situation is not so rigid, legally or practically, as many had assumed. Some American firms started in January 1971 to make significant improvements in their employment practices. Others have begun since then. There are still other firms which refuse to admit there is a problem but their number is declining.

Some of the firms taking constructive actions in this general area include Polaroid, General Motors, Ford, Chrysler, IBM, Eli Lilly, Mobil Oil, Norton Abrasives, Exxon, Kellogg, Minnesota Mining, Chase Manhattan, Sterling Drug, Pepsi Cola, Caltex, Gillette, General Electric, and Coca Cola. A firm's absence from this list does not necessarily mean it is not engaged in similar efforts but rather that information about its progress has not come to the attention of the Department of State.

[3] See Secretary Rogers' report on American Foreign Policy, March 1972, pp. 163 and 187.

The Reaction in South Africa and Elsewhere—South Africans have generally reacted favorably to U.S. business efforts to improve the lot of South African non-whites. Black opinion is split between those who feel all investment, trade, and contact in general should cease and those who feel U.S. firms should stay and work for change. Most would generally agree, however, that it is preferable for U.S. firms to remain rather than increase the isolation of the non-whites.

Chief Gatsha Buthelezi, Chief Executive Councillor of Kwa Zulu, the Zulu homeland, on June 16, 1972, praised Polaroid and Pepsi Cola to the Johannesburg Chamber of Commerce and charged South African firms with "dragging their feet" and letting themselves be outpaced by foreigners. The leading non-white newspaper, *The World*, on May 3, 1972, said U.S. business contributions challenge the rest of South Africa to do justice to the black man.

The *Financial Mail*, the *Rand Daily Mail*, and the *Johannesburg Star* repeatedly report favorably on what American firms are doing. Professor C. H. Windom, Director of the Human Sciences Laboratory of the South African Chamber of Mines, has said, "It is only the American enterprises in South Africa which appear to be financing non-white education on an appropriate scale."

Progressive South African industrialists see American efforts as support for their own.

These efforts have had a favorable impact in Europe and other parts of Africa. In the United Kingdom, Jeremy Thorpe, parliamentary leader of Britain's Liberal Party, has declared his intention to press British firms to take similar actions. This kind of pressure is also growing in Germany's Social Democratic Party. South Africa as a whole has much to gain from the more efficient use of black workers and the improvement of black wages, working conditions, and fringe benefits. Government spokesmen have said that, so long as a company remains within South African law, it can go forward without hindrance. They have pointed out that there is no limit on wages and fringe benefits of either black or white employees. Finance Minister Diederichs, Transport Minister Schoeman, and Planning Minister Loots have asserted the government is flexible with regard to the use of non-white labor.

There Is Much That Can Be Done—Within the framework of present South African laws, non-white working conditions and opportunities can be improved. But since the legislative framework is complex, firms find a legal counsel's advice useful. The discussion that follows suggests areas in which it appears legally feasible for business enterprises in South Africa to effect such improvements. Information available by late 1972 concerning some steps already taken in these areas by Americans or others in South Africa is included. Those interested may seek further information from organizations in South Africa.[4]

A. Strong Leadership

Success in any American company's effort to improve its employment practices in South Africa depends heavily on strong leadership from top company officials in South Africa and in the United States. In recognition of this, Chairman Richard Gerstenberg of GM, Chairman Thomas Watson of IBM, Chairman Rawleigh Warner of Mobil, as well as the Mobil Board of Directors and other top businessmen from the United States, have visited their subsidiaries in South Africa to observe the situation and determine what can be done. The man in charge in South Africa must fully share the desire to bring about progress. Some companies have even changed the leadership of their South African subsidiary to insure this.

One index of strong leadership in the area of employment practices is a company's determination to change the institutional framework when that framework limits or threatens its progress. Reported instances of such efforts include the following:

General Motors: Along with other motor vehicle manufacturers, obtained exemption in November 1968 from the 1964 job reservation determination. An agreement was negotiated with the union to reduce job classifications reserved for whites. About 800 Colored and African employees were moved into formerly reserved positions. Petitioned, through the National Association of Automobile Manufacturers of South Africa, against proposed legislation which, if enacted, would restrict African job opportunities.

IBM: Produced and showed in South Africa a film arguing for better treatment and understanding of non-whites by whites.

Mobil: Worked through the South African Chamber of Industries for increased training and employment opportunities for non-whites.

Coca Cola: Based its program for upgrading non-whites on guidelines drafted by a black leader.

[4]Wage and Productivity Association, P.O. Box 31153, Braamfontein - (Johannesburg) S. A.

Institute of Race Relations, P.O. Box 97, Johannesburg, S. A.

B. Wages and Fringe Benefits

1. LIVING WAGE

Many Africans and other non-whites are paid less than the amount estimated to be required for a bare minimum standard of living, the Poverty Datum Line (PDL)—about $93 per month for an urban family of six. Official statistics for January 1972 show the average wage for blacks in every industry except insurance and banking as being significantly below the PDL. A March 1972 study compiled by the South African Wage and Productivity Association showed that 79 percent of African workers in all sectors are paid below the PDL. American firms which have raised wages in the past have recorded a positive relationship between better diet and improved productivity. A lower employee turnover rate is also an extremely important advantage in this very fluid labor market.

Though raising wages to the PDL is a significant step in the South African context, the PDL meets only the bare minimum for survival. The minimum effective level, which allows for the purchase of a few basic amenities and paying an occasional doctor bill, is estimated to be 50 percent higher, or $140 per month. A fair wage in terms of productivity and the capabilities of the economy should be higher still. It is a reasonable goal.

Progress to date:

Frank & Hirsch (Polaroid's distributor): Minimum wage $106 a month. Average black wage is $154; 49 of the 158 black employees earn over $173 a month, top wage at $462.

General Motors: Minimum wage $107 a month. Average wage for non-whites up 23 percent during last 18 months now at $165 for African and $203 for Colored workers.

Ford: Minimum wage $100 a month. Average African wage $125.

Chrysler: A 14 percent increase programmed for 1972. Average African wage $115.50.

Eli Lilly: Minimum wage $120 a month. Blacks earning as much as $250 a month.

Berkshire: Minimum wage $133 a month.

IBM: Minimum wage $170. Average black wage $247 a month.

Exxon: Minimum wages raised at the beginning of 1972 to about $107 a month.

Standard Bank: A non-white subaccountant earns as much as $533 a month.

Mobil: Minimum wages $112 a month. Blacks earning as much as $400 a month.

General Electric: Non-white wages up by 41 percent in past five years. Most over $96 a month.

2. EQUAL PAY FOR EQUAL WORK

Differences between black and white workers in experience, skill, and productivity can be reflected in different pay grades for the same function on the same pay scale but fair treatment requires that these differences be real. The Dunlop Tire Factory in Natal, for example, conducted a study which contradicted assumptions on the relative productivity of white and non-white labor. Executives of several South African subsidiaries of American firms have reported that in fact productivity rose when non-whites were permitted to take over work previously carried out by white workers.

The Trade Union Confederation of South Africa (TUCSA) advocates "equal pay for equal work" and, while South African Government regulations sometimes force employers to give blacks doing the same work as whites a different title, there is nothing to prevent them from being paid the same wages. The Johannesburg Health Department, in recognition of the equal pay principle, has just promised a 300 percent salary increase for its African doctors.

Progress to date: Numerous firms including **Polaroid, Caltex, General Motors, Ford, Chrysler, IBM, Eli Lilly, Mobil, John Deere,** and **Coca Cola** have announced their implementation of this policy for all positions to which our information applies.

3. PENSION AND LIFE, HEALTH AND DISABILITY INSURANCE PLANS

Such plans exist in South Africa but in many cases they do not include non-whites, particularly Africans. There is no reason why firms cannot include them. For example, South African Breweries (SAB), a South African firm, and General Motors have pension plans which for a number of years have provided benefits to blacks comparable to those offered to whites. SAB has found that the plan has reduced labor turnover and increased employee identification with the company. Various American subsidiaries also had non-discriminatory pension and insurance schemes even before the recent push for improved employment practices.

Progress to date: In the past 18 months a number of additional American firms have instituted plans of this type for their non-white employees or improved the benefits to be comparable to those offered whites. Firms which have announced such benefits

include **Caltex, Eli Lilly, Mobil, Chrysler, Ford, Polaroid, John Deere, Exxon,** and **Firestone.**

4. MEDICAL CARE

Medical care for employees, which some companies provide, both eases problems of obtaining adequate care and helps avoid absenteeism for health reasons.

Progress to date:

Among those firms whose medical care programs have become known in the period since January 1971 are:

General Motors: Medical plan applies to all employees and also covers dependents of employees, as well as retirees and their dependents. Medical plan expanded in July 1972 to provide coverage for dental care, routine physical examinations, and eye examinations. All employees receive a thorough prehire medical examination, annual chest X-rays, and emergency medical service. A doctor and four nurses administer these programs at company facilities.

Hoover, Johnson & Johnson, and **Berkshire:** All have well-equipped and well-staffed, free medical clinics.

IBM: Free medical aid for blacks.

Mobil: Provisions for medical insurance and periodic medical examinations.

Kellogg: A new medical program.

Eli Lilly: Free medical examinations; free medicine and medical assistance.

Ford: Medical assistance plan includes families.

5. LEGAL ASSISTANCE

Non-whites, especially Africans, are frequently harassed by legal requirements, particularly in connection with the pass laws. The provision of competent counsel, plus bail where necessary, would help protect employee rights and at the same time reduce absenteeism and labor turnover. While non-whites would have more occasion to use this service, it could be available to all on the same terms. In a related area, firms might assist their employees in pursuing claims for workmen's compensation and similar claims.

Legal form is given great importance in South Africa, and no objection has been raised to the provision of such assistance.

Progress to date:

Ford has announced its intention to provide legal assistance for its non-white employees.

6. SICK LEAVE

Sick leave arrangements similar to those in the United States are highly desirable and could be applied without discrimination.

Progress to date:

So many firms have adopted such a sick leave policy, often before January 1971, that it seems unnecessary to enumerate them individually.

7. LIBRARY AND EDUCATIONAL COUNSELING

Maintenance of a library and provision of educational counseling services would provide employees with educational opportunities and form a first step toward their training for greater responsibilities.

Progress to date:

Mobil: Designation of approved courses is a step in this direction.

General Motors: An extensive range of training and educational programs provided to upgrade employees.

8. EDUCATIONAL ASSISTANCE FOR EMPLOYEES' CHILDREN

A particularly welcome employee benefit is assistance in educating the employees' children, whether by contributing to the expense of public school education, which is particularly heavy for Africans, or by creating scholarships to provide children with an alternative to the seriously overcrowded African schools and enable them to go on to the university. As of 1969 only 1 in 240 Africans completed secondary school. One in five of those graduates went on to obtain a university degree. Contributions to local schools would also be most helpful.

Progress to date:

Polaroid: Frank & Hirsch, Polaroid's South African distributor, has established an educational fund for its employees and their children.

General Motors: In 1972, 124 high school scholarships granted to children of African and Colored employees. Further, almost 500 children of African employees taking advantage of a bursary plan which covers cost of prescribed books and school fees for children.

IBM: Provides schooling assistance for dependents of black employees.

Eli Lilly: Reimburses elementary school costs of non-white dependents.

Mobil: Makes loans for the education of employees' children.

Gillette: Makes education grants to non-white employees' dependents including university scholarships.

Kellogg: Twenty children of black employees will receive assistance, through company contributions to the Rand Bursary Fund, covering their school tuition fees and books.

9. STOCK TO EMPLOYEES

Prior to January 1971 Alcan Aluminum (largely Canadian-owned) announced a program under which employees of all races could become owners of the company's stock. Such programs are common in the United States. Their extension to South Africa would have similar benefits there, plus giving Africans a stake and role in society which they do not now have.

Progress to date:

All IBM employees in South Africa now have equal access to the company's stock purchase program.

10. HOUSING

Africans often find it difficult to obtain adequate housing. Any assistance, whether by actually providing housing or by assisting with credit or in other ways, is of great value.

Progress to date:

IBM: Home improvement loans.

GM: Housing downpayment loans arranged for a number of colored employees.

Mobil: Home ownership plan to facilitate borrowing part or all of the downpayment. (Africans, however, cannot legally buy housing outside of the homeland areas.)

11. MAINTENANCE OF FAMILY LIFE

Apartheid restrictions on movement and residence make the maintenance of normal family life extremely difficult for many Africans, giving rise to personal concern and distraction from work. A firm can identify the problems of each employee and seek by available lawful means to help him obtain the right to live with his family or at least to keep in close touch with them. In some cities there are offices, particularly those of the Black Sash Society, which give advice in this and related fields, but they have only limited resources.

Progress to date:

Gillette: Works committees are studying the "sociological problems" of workers.

12. ASSISTANCE IN OBTAINING LOANS

Possible measures in this area range from providing references, arranging wage deductions, and extending guarantees, to actual provision of credit on favorable terms. A company credit union can be a great benefit in such matters.

Progress to date (See also Housing and Educational Assistance above):

Polaroid: Frank & Hirsch makes loans available at no interest.

"United States marketing and distribution firm": Makes loans available at low interest. (*Financial Mail*, June 18, 1971)

13. SUBSIDIZED TRANSPORT

Apartheid often forces non-white workers to live far from their place of employment. In addition to causing difficulty for the worker, this tends to reduce productivity. Transportation facilities are often inadequate and sometimes (particularly in Johannesburg) dangerously antiquated and over-crowded. Some firms arrange and subsidize special transportation for their workers to overcome these problems. Even adjusting working hours, as South African Breweries did, can sometimes help.

Progress to date:

IBM: Offers commuting assistance to non-white workers.

Berkshire: Subsidizes bus fares.

Johnson & Johnson: Subsidizes bus fares.

General Motors: Subsidized transport through company-arranged buses where needed.

C. Advancement

In this area, well-defined barriers are few and often surmountable, and significant progress has taken place without serious difficulty.

1. VOCATIONAL AND MANAGEMENT TRAINING

Non-whites often have difficulty finding vocational training and firms hiring non-whites for skilled positions have equal difficulty finding adequately trained personnel. Under the circumstances, some firms have found it profitable to set up vocational training facilities to upgrade the skill levels of their black workers. The existence of a reservoir of trained non-whites could be a useful argument when a labor shortage leads a firm to request an exception. South African businessmen and labor union leaders agree

that continued advancement by non-whites is inevitable. South African Breweries is one example of a firm with a well-developed training program.

Firms which do not have the desired training in their in-house programs can make use of training offered by the National Management and Development Foundation in South Africa or by the International Management Development Institute. The latter, an American institution, regularly conducts courses in Africa, including one in Swaziland in 1972 which was open to South African nationals.

Progress to date:

General Motors: Since 1970, 257 non-whites have participated in the company's presupervisory training program. Twenty-nine non-white employees are participating in a tuition refund plan.

Ford: Pushing to develop non-white skilled workers and supervisors. Tuition refund program, university and high school scholarships, in-plant training.

Chrysler: Twenty-five scholarships covering books and tuition annually.

Mobil: Reimbursement of costs of approved courses for non-white participants in company training program.

Minnesota Mining and Manufacturing: Training blacks for key jobs.

General Electric: New three-stage training school for unskilled African workers.

Exxon: Reimburses two-thirds of cost for approved training.

"Large U.S.-controlled engineering firm": Active job training. Ready to establish a training school for black artisans, as it has in Zambia and Kenya, when South African law and labor unions permit. (*Financial Mail*, June 18, 1971)

General Electric: Has instituted instruction aimed at upgrading non-white employees.

Firestone: Of 850 employees in training in 1971, 538 were non-white. (*Sunday Times*, Dec. 12, 1971)

Standard Telephone and Cable (an International Telephone & Telegraph subsidiary): Training non-whites in specialized and highly skilled trades. (*Johannesburg Star*, Jan. 10, 1972)

Kellogg: Five significant promotions directly attributed to recent training. Three blacks became shift leaders; one of them now top supervisor for night shift operations.

2. PROMOTION

The legal and customary limits on promotion of non-whites are generally ill-defined or even undefined. The government has authority to reserve positions, or a percentage of them, to a certain racial group or groups. In practice its determinations cover only about 3 percent of the labor force. In many areas limits are set by agreements between employers and white unions; in still others, no limits are set beyond the frequently-heard informal restriction that a South African non-white should not supervise a white. Advancement of blacks can help reduce the effects of skilled labor shortages and, as indicated, some employers have found new non-white skilled employees significantly more productive than their white predecessors.

Legal Restrictions—Firms have frequently been able to secure exceptions to legal restrictions on the basis of the labor shortage. By the end of 1971 almost 5,000 individual exemptions had been granted and another 5,000 positions were exempted on a bloc basis at the end of that year. These were in addition to those exempted on the basis of agreements with trade unions. The total number of positions in South Africa currently affected by formal job reservation is only 100,000 to 125,000.

Contractual Restrictions—If there are restrictions in a contract with the white or colored labor unions, their acquiescence might be obtained by offering some concession in return. Precedents for this may be found in the formal "Productivity Agreements" signed since 1964. In one concluded that year for the government-owned railroads, the white labor unions permitted certain jobs to be given non-whites, providing social separation was observed.

Worker Reaction—White workers are concerned primarily with protecting their own positions. Although they sometimes resent working at the same job as a non-white, this can and does take place without serious discord. Again, government regulations bearing on this aspect generally come into play only when complaints are made. A good feel for the situation is important in determining how to proceed.

Public Reaction—Fears of adverse reaction from customers or the general public are likely to be exaggerated. In no instance does public outcry against improvements for black workers appear to have been a serious problem. However, it is possible that advance publicity might arouse some opposition.

Despite the pessimism sometimes encountered, there is increasingly compelling evidence that much can be accomplished.

Progress to date:

The National Development and Management Foundation of South Africa is doing research on how to use black labor effectively in the South African context. It has already developed a package of useful

measures, largely based on successful efforts by various firms, and is prepared to assist companies in setting up a program for the advancement of black workers.

The government speaks of a new labor deal; most white labor unions acquiesce in advancement for blacks. As a result, non-whites are gradually moving into jobs previously barred to them in tasks ranging from operating a forklift truck to operating a tridimensional microscope and scientific testing equipment. Sometimes the move is at fairly high levels as, for example, the two black university graduates in charge of South African Breweries' labor relations program for blacks. Some government supporters are happy that this is so. *Die Burger*, in commenting favorably on the Polaroid program some time ago, anticipated that blacks would be trained for managerial slots, although not to supervise whites. By the end of 1971, Polaroid's distributor had appointed eight black supervisors, including a computer operator.

Other examples of successful promotion (see also **Vocational Training** above):

General Motors: Currently has 25 Colored and African supervisors, including one Colored foreman, and 19 Colored and African salaried employees. In past year and half, although total Colored and African employment declined by 604, Coloreds and Africans in skilled Grades 6 through 9 more than doubled to over 400.

Chrysler: Has 65 black team leaders and expects ultimately to have 112 in these jobs.

IBM: Plans to increase the number of non-white employees even as the total number of employees falls. Has two black supervisors and a black personnel officer.

Norton Abrasives: Aptitude testing system; broad progression plan for advancing non-whites.

Coca-Cola: Upgrading the positions of non-whites on the basis of guidelines drafted by a black labor leader.

Beares Limited (South African firm): Appointed an African manager for one of its furniture stores in Durban. (*Sunday Express*, June 18, 1972)

Ford: Eight of 150 foremen are non-white.

"U.S. soft-drink firm": Assistant Sales Manager of one branch is non-white. (*Financial Mail*, June 18, 1971)

Berkshire: Africans in quality control positions. Two Africans in the secretarial pool.

Johnson & Johnson: Africans in quality control positions.

3. AFRICAN BUSINESSMEN

American firms may be in a position to encourage African businessmen, either as suppliers or as outlets and to offer suitable technical assistance or training. While it may be easier to rely on white South African firms or to deal with an African while making no effort to help him, such a policy is not necessarily more profitable in the long run, as the African market will continue to expand. Many firms with interest in developing countries have had much experience in this area.

While some blacks outside the homelands, particularly in the black townships associated with major urban centers, have accumulated a fair amount of capital, they are severely hampered in putting it to use by restrictions on black corporations and partnerships, and on the scope of their business activities generally.

These restrictions do not appear to apply to their minority participation in firms with white ownership. One possible means of assisting them therefore would be for a firm to join them in forming a corporation and participating in the capital of the new enterprise, with the black participants undertaking the day-to-day direction of the affairs of the business. Provision might be made for sale of the American participation if and when it was no longer required for the firm's operation.

Progress to date:

The **Johannesburg Junior Chamber of Commerce** annually offers storeowners in Soweto, Johannesburg's black suburb, a course in retail management. The course consists of lectures by executives of leading white firms.

Five of **Mobil's** 16 service stations in homelands are operated by Africans, and ultimately all will be.

4. AFRICAN PROFESSIONALS

American firms can similarly encourage African professionals, whether employees or self-employed. They can also assist, financially and otherwise, those Africans who seek to qualify themselves in law, medicine, engineering, and other fields where additional qualified Africans are desperately needed.

D. Labor-Management Relations

South Africa's basic law on labor unions does not recognize Africans as "employees." As a result their unions have no legal or official standing and it is illegal for them to strike.

At the same time, South African law does permit committees to protect the interests of African workers. The members of these committees, including the labor representatives, are appointed by management but nothing prevents management from appointing men chosen by the workers.

Progress to date:

Firms reported to have active African works committees include **Polaroid, GM, Ford, Eli Lilly, Mobil, Norton Abrasives,** and **Gillette.**

E. Social Measures

1. DIGNITY

Important to black morale and motivation are actions which accord equal dignity to men of all colors. Considerate treatment and a feeling of belonging are crucial to motivation.

Office parties and other social contact make an important contribution to non-white morale. The South African magazine *Reality* has published a summary of what can properly be done in this regard and the Institute of Race Relations has published a comprehensive booklet entitled "A Guide to Multiracial Contact in South Africa". Copies are available at the Institute (P.O. Box 97, Johannesburg, South Africa).

2. CONCERN

To show concern for employees' personal problems, as by inquiring about the health and welfare of workers who are absent, ISCOR (the South African Iron & Steel Corporation) has an African social worker who visits workers who are ill.

3. SHARED FACILITIES

Wherever the law and local conditions permit, a move from separate to shared facilities should be considered. The law leaves many decisions in this field to the entrepreneur. In practice the sharing of certain facilities becomes a matter of course.

When the law requires facilities to be separate, the non-white facility should be equal to that of the white facility.

Progress to date:

Many firms already have very high quality non-white facilities and some have made progress in eliminating separate facilities by race.

4. CONTRIBUTIONS

Firms can make financial contributions to institutions concerned with the welfare of non-whites in South Africa. Assistance to the University of Botswana, Lesotho, and Swaziland, whether directly or in the form of scholarships for South African employees and their children, would accomplish a similar purpose.

Progress to date:

As noted above, **Polaroid** has established a new foundation (ASSET) to channel corporation contributions to education and **Pepsi Cola** has joined in providing financial support. Other private bursary funds are also in operation. A list of them can be obtained from the Education Information Center, P.O. Box 47, Johannesburg. In addition, there is a South African Government fund with similar purposes.

Recent contributions include:

Polaroid: $50,000 to American-South African Study Educational Trust (ASSET), $15,000 to Association for the Educational and Cultural Advancement of the African People of South Africa (ASSECA), and $10,000 to U.S.-South African Leader Exchange Program (USSALEP). With the cooperation of the South African Institute of Race Relations, facilitated the shipment to Durban of over 20,000 textbooks donated by Addison Wesley for use in African schools.

Pepsi-Cola: $50,000 to ASSET.

General Motors: Contributions to organizations representing non-whites rose from 5 percent of GM's total South African contributions in 1969 to 43 percent in 1972. In addition, 34 percent of the 1972 contributions went to non-racial organizations. Among organizations GM has supported are the Inanda Seminary for Girls, the South African Institute of Race Relations, the National Study Loan and Bursary Fund (for distribution to South Africa's four non-white universities), the Bureau of Adult Literacy, ASSECA ($1,667 in May 1972), USSALEP, and the African-American Institute.

Mobil: Over $20,000 to non-white education and a similar amount to multiracial health, welfare, and civic organizations.

Chase Manhattan: $1,000 to ASSECA.

Sterling Drug: $1,333 each year for the next 5 years to the Kwa Zulu Executive Committee for Zulu education.

Dow Chemical: Three scholarships a year through the South African Government to prospective black teachers.

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To the Inanda Seminary Fund, 1971—Sums up to $933 from individual Americans. **First National City Bank, Coca-Cola, The American Bureau of Shipping, Goodyear, Standard Oil, Colgate-Palmolive, Encyclopedia Britannica, Eli Lilly, Cheeseborough Pond, Norton Abrasives, South African Cyanamid, Newmont Mining,** and **Lubrizoil** gave sums ranging from $33 to $1,333, not always in proportion to the size of the company. The largest contribution, nearly $27,000, was from the **South African Sugar Association. Mobil** is donating a student center to the seminary.

Vanleer (Dutch): Spends $1.3 million per year on education and social services for its black employees and the non-white community.

Exxon: Contributes to the Rand Bursary Fund (a fund sponsored by a South African newspaper which provides scholarships for black students).

Reckitt and Colman Ltd. (South Africa): Spends $13,333 a year on education for Africans. The program includes university scholarships, book bursaries and, since 1964, the running of creative schools, competitions, and drama festivals. (Kane-Berman and Horner, *Report on the Polaroid Experiment*, South African Institute of Race Relations, 1971)

Borg-Warner: Contributed $2000 to the South African Institute of Race Relations in 1972.

PREPARED STATEMENT OF R. G. WHEELER, COUNCIL OF CHURCHES OF GREATER WASHINGTON, APRIL 23, 1975, WASHINGTON, D.C.

Your invitation to talk with you about South Africa and our presence there was welcome, and we thank you for the opportunity. The areas of concern we are discussing here today mean a great deal to all of us and has been the subject of much discussion within our own Social Responsibility and Concerns Committee made up of employees from all levels within Control Data. The views I'll express are those of that Committee and of management. By no stretch of the imagination am I an expert on South Africa, but because of Control Data's concern, I did spend two weeks in the Johannesburg/Pretoria area about a year and a half ago. This did give me an opportunity to obtain information and impressions that provide a perspective not attainable from the United States.

Perhaps the place to start would be to give you same brief facts about Control Data in South Africa, although I do intend to spend most of your time on major issues.

We began marketing our products and services in South Africa in 1964. In 1974 our marketing there represents one-half of one percent of our total sales, $5.6 million.

Looking ot our marketing in some detail will give you the impressions you need about us. Computer systems have been sold to government agencies, to businesses that are controlled by the government, and to private companies. Major installations include:

The Iron and Steel Corporation (called ISCOR)

They are 51 percent owned by the government. Eight medium sized computer systems have been purchased to control the steel making process and to perform bookkeeping tasks such as payroll. In addition, we have installed a large machine at ISCOR that they will use part of to plan the construction of new steelworks and for managing their business. We will sell computing time to small, private businesses to utilize the rest of the machine.

Electricity Supply Commission

A large Control Data computer is located there to manage fuel usage and power distribution, and for planning power system expansion.

Johannesburg Consolidated Industries

One medium sized computer has been sold to this private company for use in their coal mining operations to do inventory, payroll, accounting, work scheduling, etc.

Weather Bureau

A large Control Data computer has been installed in South Africa as part of a Worldwide Weather Watch System. Similar equipment is installed elsewhere in the world as part of that Worldwide System.

Council for Scientific and Industrial Research

Two small computers have been sold to this government research organization: one for wind tunnel research, the other for industrial chemical processes Research.

We have several other smaller customers to whom we sell services other than computers.

Describing these computer installations in South Africa will help you understand Control Data's worldwide mission statement which guides our marketing:

"Control Data is a worldwide business dedicated to the improvement of productivity and the quality of life for individuals and organizations through the application of its computing technology, financial resources, and professional services. The fulfillment of this mission will best serve the interests of our employees, stockholders, customers, and the societies in which we operate.

"Our decisions to operate in specific countries or to participate in specific activities are weighted in light of this mission and applicable laws. While we recognize the responsibility to respond to customer defined needs within our capability, we also recognize our responsibility to these other constituencies and will evaluate business opportunities with the broader view. We respect the right of our customers to utilize our goods and services for purposes they deem appropriate. However, we will refuse to pursue business opportunities whose stated purpose is viewed by us as in conflict with human rights and dignity."

As you see, we deal directly with abridgement of human rights, both when considering business with private organizations and with governments. We

would not provide a computer system for any purpose that abridges human rights and dignity.

Obviously there are several schools of thought in our society on how use of computers should be restricted in South Africa. There are some who would seek to bring about revolution in South Africa and risk the bloodshed that sometimes accompanies revolutions. They want complete withdrawal of U.S. business to hasten the fall of the South African Government.

According to the last analysis by the Investor Responsibility Research Center, Inc., U.S. investment makes up only 17 percent of total foreign investment in South Africa, and that tax income from U.S. companies is not critical to that country. Obviously more foreign investment support comes from elsewhere in the world and withdrawal by U.S. firms would not likely influence a positive change in South Africa.

Others suggest a uniform policy on the part of U.S. business to not sell to the Government of South Africa or to companies or agencies it controls. In our opinion, this would be harmful to the very people it's intended to help. Such a uniform position would probably result in the eventual withdrawal of U.S. business or, even more likely, their ejection by the Government from South Africa. Again, I doubt that that would change anything except remove even any potential influence from events in South Africa—leaving that influence up to other foreign investors only.

We believe in evolutionary progress and that we can help bring it about. That is an important reason for continuing to deal with government agencies. Our computer systems are designed to serve human needs in areas such as education, delivery of medical care and disaster prevention; as examples. We are already at work in places like Iran where computers individualize learning and increase dramatically the availability of education. On the Rosebud Indian Reservation, here in the U.S., our computers are helping five doctors and one hospital disperse their medical care ability to over 8,600 people spread over a million acres to the remote parts of that reservation. In certain areas of Korea our computers control flooding to save lives and crops previously lost every year. Our participation in the Worldwide Weather Watch is designed to prevent human disaster.

In each example, government agencies are the means through which these systems operate; no other agencies engage in these areas. Were we to cut ourselves off from such agencies, we also cut people off from the benefits of such systems, and it is emerging nations and people that need them more than already developed nations.

Our marketing policy results in approaches to the South African Government which would permit projects that sustain and enhance life, but avoid those that would abridge human rights and dignity.

We are currently discussing with several African governments, including South Africa, our computer-based education system. These systems bring both basic and advanced education, skills training, and management training to individuals where they are located; providing it at their own learning speed, at a cost only one-third of what classroom education costs.

This is an example of the type of Control Data systems that will be absolutely necessary to accomplish the amount of development that the people in many African nations need, and is certainly needed in South Africa as well. Why would the government in South Africa be interested in such an education system? South Africa's economy continues to grow. The number of open jobs with it—opening opportunities previously reserved only for whites. To sustain the economy, the government must develop and advance the black people. The eventual economic equality for blacks is a long way off yet, but without this kind of education, it's unattainable—even if the resources were theirs to use.

The most difficult question to deal with is that of the "potential" of a computer system to be used to abridge human rights. What to do where the abridgement of human rights is a potential by-product of an otherwise useful service is the difficult question. I wish I knew a fool-proof answer. Instead, I see definite benefit to the people on one side versus potential risk on the other. And where the potential benefit to people clearly outweighs the potential risk, the system should be utilized.

Compared to the worldwide market for computers, we are only a small factor in that market; but we intend to bring to the world market a unique potential to serve human needs. That's why in our Corporate Mission we've dedicated ourselves to improving quality of life using our capabilities. People who know us well here in the United States have pointed to the four computer manufacturing plants we've built in depressed central cities and in Appalachia expressly to employ people who had no employment opportunity (one of these is located here

in the northeast part of Washington, D.C.), or they point to the 1974 National Award given by Business and Society Review for our unusual progress in equal opportunity, or to our medical systems work with the Rosebud Indian Tribe and say our presence in South Africa is inconsistent with these efforts.

We don't believe it is inconsistent. Our systems are not used to abridge human rights; they do not take away jobs from blacks. Instead, our systems are dedicated to productivity and quality of life—a potential for all the people in South Africa. We intend in South Africa to be a company that is atuned to the social needs there—as we are here.

Certainly we're a small organization in South Africa, about 120 people. Of these 120, only 10 percent are blacks or colored in a land where about 70 percent of the population is black or colored. It is true that our company there is subject to the same job traditions as are other companies there. What is unique is the fact that among those twelve employees are the first two black customer engineers in the history of South Africa, trained with the permission of the government, and among the first Indian computer analysts in the country, all with customer contact responsibility.

From this experience we have developed a customer engineering course that we think works effectively for blacks there, and have submitted it to the government for approval which we are expecting shortly. We will then begin a class of eight inside our company there—including six more newly hired; bringing the total to 10 customer engineers in South Africa. These are small efforts because of our size, but they are firsts for that country.

The point that we feel strongly about, and would leave with you, is that all companies are not the same. Many can be and are motivated to take positive steps. CDC is suggesting utilizing the resources of these kinds of companies to influence positively rather than cutting U.S. business off from any influence in that or other parts of the world where a positive U.S. business presence can help people.

PREPARED STATEMENT OF ROGER G. WHEELER, CONTROL DATA CORP.

I am Roger Wheeler. I am a vice president of Control Data Corporation in Minneapolis with responsibility for personnel administration throughout the corporation, including our small subsidiary company in South Africa. That company is engaged in sales and maintenance only. It does no manufacturing. Its volume of sales is relatively small—about $8 million—and it made no profit last year. We wish to make this brief statement today because frankly we are not able to understand why we are included in this resolution.

If you believe that the mere presence of a company in South Africa is support for the white government there, then—although we might disagree—we could understand that. But then why wouldn't you boycott the products of all U.S. businesses in South Africa or the products sold in the United States by companies from elsewhere in the world who also do business in South Africa?

Since you do not include in your boycott resolution all U.S. businesses in South Africa or the companies from other countries doing business there, perhaps you are including only those companies you feel are the worst examples of the U.S. presence in South Africa. That conclusion is being suggested to you by the materials supplied by the Social Justice Task Force. The resolution asks you to give this material careful consideration and to accept it as valid research. We would very much appreciate your giving it careful consideration. Our own examination of the section on Control Data reveals a great deal of conjecture as to how our machines might be used but almost nothing about how they are actually being used.

Our computers are used by the Iron and Steel Corporation in the process of making steel, keeping books and paying employees; a small computer is used for research in power generation from atomic fuel; two small computers are used by the Council for Scientific and Industrial Research for chemical process research and non-military wind tunnel research; other computers are used by the Electric Supply Commission to manage fuel, distribute power and administer a pension fund; a computer is used by a private company in the administration of its gold-mining activities; a computer is used by a private company named Aircraft Operating to draw contour maps for construction. Our latest installation will assist off-track betting.

None of these installations is used for military purposes and none is used for purposes of oppression—regardless of what is implied in the material you have been given.

When I appeared at the church-sponsored hearing in these chambers last April (and by the way, we were the only company cited in your resolution to attend that meeting) I said that our own sense of responsibility would not permit us to provide a computer system for any purpose that abridges human rights and dignity. I want to reaffirm that here today.

Control Data employs fewer than 150 persons in South Africa. True, only 10 per cent are black or coloured, but what those employees do is a complete departure from the traditional role of blacks in South Africa. For example, we hired and trained the first black customer computer engineer in the history of South Africa. Three black persons have been trained and supported by Control Data to work on computer installations in white companies, performing professional jobs previously filled exclusively by whites. Among them is a programmer analyst trained and supported by Control Data as a member of the professional sales team, selling to white companies, another position previously given in South Africa to whites only. Others are in positions in accounting, spare parts for customers and traffic for parts and equipment—all jobs never before available to them. The numbers are small but with our help those employees are breaking new ground and serving as exciting examples of what can be accomplished by a company with the determination to do what it knows is right.

We don't condone the practices of South Africa. I have seen personally their impact on our employees there. For that reason we have provided private transportation, sought out reliable and quality medical facilities, provided private education funds, provided legal aid and specialized training to reduce as much as possible the impact of government practices on our employees. A representative of our home office is there at this time to further that progress.

Our desire to be a responsible business and a responsible employer is the same in South Africa as in the United States. To my knowledge we are the only company to build new manufacturing plants in depressed areas of the country to bring jobs to predominantly black communities—such as Northeast One here in Washington. We are also helping Native American Indians pioneer a major health delivery system on their reservation in South Dakota. For those and other reasons we are regarded by many as uniquely advanced in matters of human rights.

We are at a loss, therefore, to understand inclusion of Control Data in your boycott resolution.

We understand the difficulty you face. You are being asked to make a decision based on materials from conflicting sources. The task force material implies the most sinister uses of our products. We flatly deny them. We suggest as an answer to this difficulty a joint approach that would determine what the facts really are. This could be done by an independent investigation of your own, with which we would be very pleased to cooperate fully.

In the abesnce of the results of such a study, we ask that you remove Control Data from this resolution.

Thank you.

POLAROID CORP.,
Cambridge, Mass., October 7.

DEAR MRS. BROWN: The enclosed is our updated report on the Experiment in South Africa. I hope it's helpful.

Very truly yours,

ROBERT M. PALMER.

A CONTINUING REPORT ON POLAROID SOUTH AFRICA

In January, 1971, Polaroid Corporation announced in major newspapers across the country that it intended to undertake an "Experiment in South Africa". The announcement included the following statements:

"We abhor Apartheid.

"We want to examine the question of whether or not we should continue to sell our products in South Africa.

"We do not want to impose a course of action on black people of another country merely because we might think it was correct.

A group of Polaroid employees, both black and white, then toured South Africa and returned with a unanimous recommendation to undertake an experimental program for one year with these goals:

"To continue our business relationship there except for any direct sales to the South African Government.

"To improve dramatically the salaries and other benefits of the non-white employees of our distributor there.

"To initiate through our distributor well defined programs to train non-white employees for important jobs within that company.

"We would commit a portion of our profits earned there to encourage black education."

The following is a report of what has been accomplished in the five years since the experiment was announced. It includes a review of our initial goals, our record after a one year trial and our most recent information from continuing audits by Hans Jensen, Export Sales Manager, who has visited South Africa regularly since the fall of 1970. It also includes the judgments of people in South Africa, both black and white, critics as well as supporters, as to the success of the experiment. While we have listened to everyone, we have been more impressed with reason than rhetoric. We have given greater weight to arguments based on fact than to those based on emotion. We have paid especially close attention to those observers who have first-hand knowledge of the country. With many we have a continuing dialogue.

There are some who sincerely believe that complete cessation of business with South Africa is the only solution to the existing problems. We respect that view though we continue to disagree with it. We believe that constructive engagement is the responsible course of action for an American company already there. Though Polaroid does not have plants, investments, subsidiaries or employees in South Africa, we have for a number of years sold our products through a local distributor, Frank and Hirsch (Pty.) Ltd. We feel for that reason alone we have a responsibility not to walk away from the problem. Since the issue of American business in South Africa is extremely complex—and since we do not presume to have any universal solutions—we have limited this report to an accounting of our own effort, its problems and its progress.

October 1970 [1]

Frank and Hirsch.—pay and benefits, black employees.

Average salary—R75 per month.

Lowest salary—(completed one year of service)—R56.

Highest salary—R303.

Benefits: Pension plan applied to both blacks and whites; no medical plan for black Africans; interest free loans for all employees; Christmas bonus of one month's salary after three years; and a black employees committee in existence.

By May, 1971, Polaroid's Senior Vice President and General Manager was able to report to the Congressional Sub-Committee on South Africa that the program was then well underway and made the following statements:

We decided whatever our course should be it should oppose the course of Apartheid.

Polaroid is a small economic force in South Africa, but we are well known and, because of our committee's visit there highly visible. We hope other American companies will join us in this program.

South Africa articulates a policy exactly contrary to everything we feel our company stands for. We cannot participate passively in such a political system. Nor can we ignore it.

Both our distributor and one of his suppliers have granted wage increases to all their non-white employees ranging from 13 to 33 percent.

An additional increase of 28 percent for a group of 20 non-white Frank and Hirsch employees was announced last week (April 25, 1971).

Frank and Hirsch and one of their suppliers have agreed to guarantee the educational expenses for the children of their non-white employees through the high school level including the cost of school tuition, transportation and books.

The first installment of a financial grant to ASSECA (The Association for the Educational and Cultural Advancement of the African People of South Africa) has been completed.

A grant has been made to USSALEP (United States South African Leader Exchange Program).

We have been working to set up an educational foundation in South Africa. The foundation will be charged with selecting 500 black students and providing financial assistance to them. Administration of this program will be handled by the Institute of Race Relations.

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[1] South African Rand = $1.15.

We are not sure that the longer term decision will be regarding Polaroid's relationship with South Africa, but we are convinced that the basic approach of working for change from within deserves this kind of trial."

After concluding our statement to the committee, we then answered questions for about an hour and recommended that members of the subcommittee first visit South Africa and see for themselves what black people felt could be accomplished by American businesses located there.

Following Polaroid's appearance and statement, debate continued, particularly in the press in the United Kingdom and on a daily basis in South Africa. A number of critics who began looking more closely at the effort thought it to be misguided but sincere and took a wait-and-see attitude. Some advocates of withdrawal, such as Congressman Diggs of Michigan, visited South Africa and returned to say, "there may be ways to do business in South Africa and affect change".

Senator Edward Brooke of Massachusetts sent a staff member to visit South Africa who was also an advocate of withdrawal of American business. After her return and report to the Senator, he issued the following statement in a letter to Polaroid: "I am truly impressed with your efforts and believe it represents the vanguard of constructive American influence on South Africa's racial situation. I was pleased to place this material in the Congressional Record with my own strong endorsement of your program."

By December, 1971, Polaroid issued a report which had been promised after the first year of the experiment. This report included the following:

"The average salary including bonus for black employees (at Frank and Hirsch) had now been increased by 22 percent.

"Individual increases had ranged from 6 percent to 33 percent—the average pay was now R91 up from R75 of a few months earlier.

"Eight black supervisors were appointed during the course of the year in the Computer, Administration, Services and Distribution departments. Some of these portions had been formerly held by whites and they were being paid on the same pay scale as their predecessors.

"The pension plan with death benefits and the employee education plan were in full operation.

"A grant of $15,000 was completed to the Association for the Educational and Cultural Advancement of the African People of South Africa (ASECA).

"A second grant of $10,000 was made to the U.S.-South African Leader Exchange Program (USSALEP).

"A third grant of $50,000 was used to establish a foundation to underwrite educational expenses of black students and teachers in South Africa—The American-South African Study and Educational Trust (ASSET).

"A fourth grant of $1,000 was made to the American—S. A. Institute."

The report concluded by stating that in the opinion of the Company relatively little had happened prior to the experiment that could encourage hope for change. Alternative courses of action seemed equally bleak. In a year's time the visible effects of the Polaroid experiment on other American companies had been limited, but the practical achievements in increased salaries, benefits and education had shown what could be done. Therefore the company decided to continue the program for the present.

The following are the most recent information and comments which we have available:

"Our contributions are continuing to ASSECA, though some concern has been expressed as to the slow pace of programs of this organization based mostly on the problem of a lack of full-time leadership. ASSECA has requested a full-time person from the United States. (See graph)

"Our financial contributions have also continued to ASSET. In addition we made up for the loss suffered by the recent devaluation of the dollar. Several other companies have also made substantial contributions to ASSET.

"We have also made additional contributions to the United States South African Leader Exchange program, the African-American Institute, and a contribution to AIESEC in South Africa—an organization of students in economics and business administration.

"With our encouragement and assistance, the Addison-Wesley Publishing Company of North Reading, Mass. donated over 22 thousand new text books for use in black South African schools.

"Training programs, medical benefits, legal aid, bursaries (scholarships) and loans have also been expanded at Frank and Hirsch."

We are particularly pleased that the majority of major U.S. (and other) employers in South Africa have initiated affirmative action programs.

The Company's general feeling continues to be hopeful. We are aware of a number of companies with large investments there who have done real soul searching, leading to serious and ambitious new programs in the country.

We will continue to review our efforts with our distributor and the programs to which we are making financial contributions on an annual basis.

Visitors from South Africa and many other people with whom we have corresponded have encouraged us to continue. Press reports of the effects of our experiment have reinforced our decision to proceed.

George Houser, the Executive Director of the American Committee on South Africa insists that the only final answer is the total withdrawal of American business. Some of us who originally agreed with this thesis changed our minds when we examined the complexity of the issue and found that the total American investment is only 12 percent of the total foreign investment in the country. We do not subscribe to the view—though we respect it—that American withdrawal would have any significant effect. We rather suspect in fact, that withdrawal would lead to further oppression.

Fred vanWyck, Director of the Institute of Race Relations in South Africa speaks of the importance of the catalyst role of the Polaroid experiment; that both our effort and the publicity surrounding it have had an effect on black economic growth in South Africa.

Many church groups have also been critical. At the present time, most are demanding that companies release more detailed information about their business activities in South Africa (as Polaroid has done). No stockholder resolutions were filed with Polaroid this year by church groups, partly because we have no investments there and partly, we believe, because of the auditing and reporting of the experiment.

Though the interest in South Africa has waned somewhat in the U.S. press, it is front-page news in the United Kingdom. The following comments may be of interest:

Chief Gatsha Buthelezi, Chief of the Zulus, and one of the most respected and influential black leaders in South Africa in the Rand Daily Mail: "In fact if more American firms followed the example of Polaroid and paid people decent living wages, this could actually dictate the course of events in this country so far as the development of our situation is concerned".

Church of England News: "The Polaroid Company—now gives black workers in South Africa equal pay for equal work in terms of white wages. Most American firms are now following their example."

Colin Legum, a constant critic of South African policies wrote in The London Observer: "So far only one American company, Polaroid, has said that it would consider withdrawing altogether if it is not allowed to improve conditions for its African workers. So far, Polaroid has raised wages, promoted blacks to supervisory posts, introduced training schemes, earmarked parts of its profit to assist African education and refused to allow its photographic equipment to be used to help the Governments' Pass Laws." (Contrary to some comments in the U.S. press, the Polaroid I.D. system has never been used to produce "pass books".)

The London Economist wrote: "Polaroid's efforts greatly benefitted its 150 black workers. It did not fulfill hopes that other employers would be inspired to copy it. But it did breach the wall of silence surrounding the wage gap."

David Newsom, Assistant Secretary for African Affairs of the U.S. State Department, in issuing the Department's 1973 report stated: "The Polaroid experiment, which highlighted the current interest in the problem, has resulted in constructive action . . ."

And again from England (whose investments are the largest portion of the total foreign investment in South Africa), James Callaghan, the Labour Party's Foreign Spokesman, said: "Polaroid's action was followed by increased pressure on other companies which has brought increased wages."

Jeremy Thorpe, leader of the Liberal Party in South Africa: "The fact that the Polaroid Company of the United States now pays equal pay for equal work in South Africa whatever the race of the employee proves that we need not accept that we are helpless."

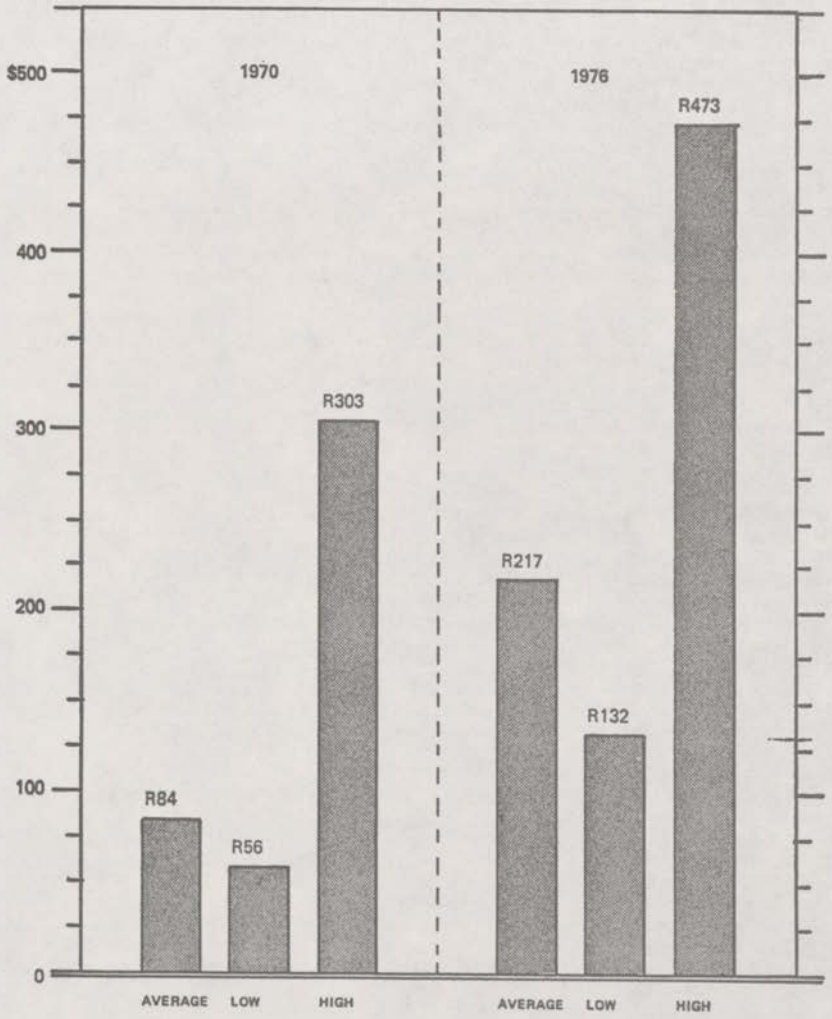
And finally from the Manchester Guardian: "The consequence (of the Polaroid experiment) is that most American firms are following the Polaroid example. A comparable campaign needs to be mounted here (in England)."

We believe that it is still too soon to make a final judgment on our relationship to South Africa. We have found that the lack of knowledge concerning American business in South Africa has been as difficult to deal with as has the complexity of issues surrounding business practices in that country.

We will continue to press, as constructively as possible, for change in South Africa. We will not, however, decide for black Africans what they need. The final determination will have to come from South Africans themselves. We intend to stay as long as black South Africans and moderate whites feel that progress is being made and that our presence there is helpful. We should acknowledge that our decision to continue is made easier by the fact that our South African distributor has been a willing participant in the changes affecting his work force.

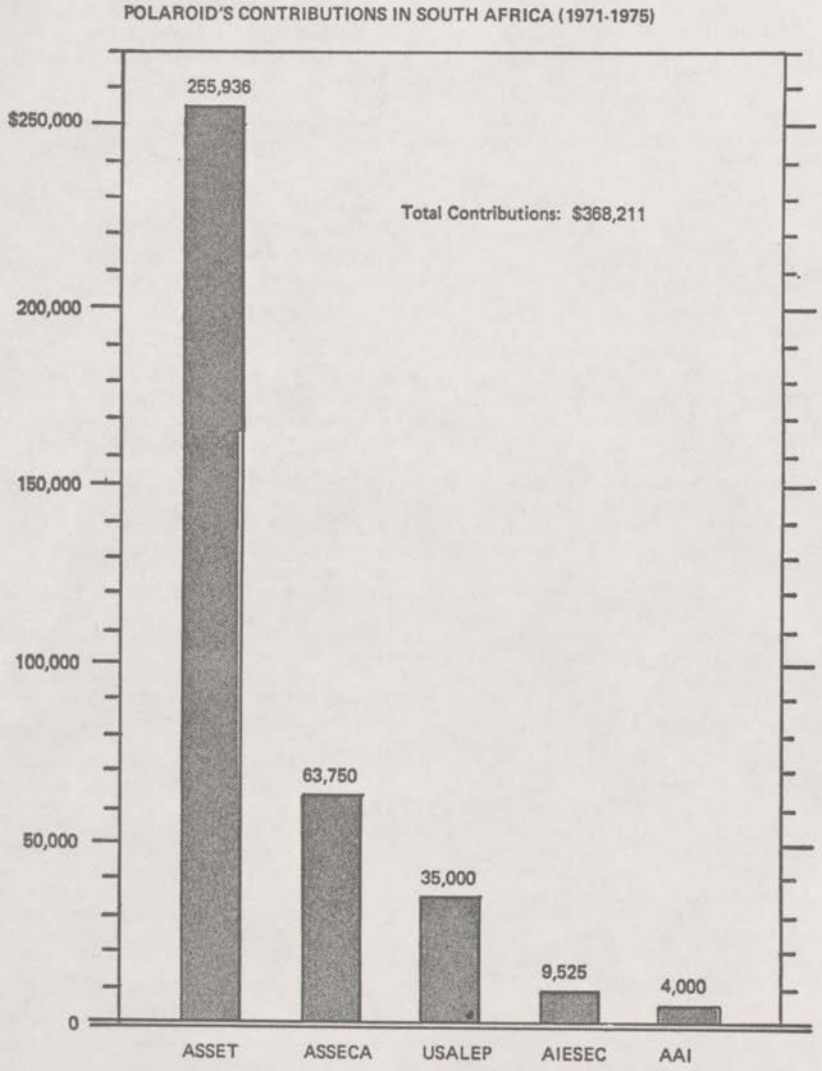
We agree with our thoughtful critics that the specific accomplishments of the Polaroid experiment affect relatively few black people. A growing number of people, however, are beginning to share our hope that the possibility of change in South Africa is real.

FRANK & HIRSCH PAY SCALE FOR BLACK EMPLOYEES (1970 & 1976)



NOTES: In addition to pay raises, benefits have been expanded.

Costs in this report do not include other costs of the Experiment such as time, travel, audit, etc.



PREPARED STATEMENT OF RONALD H. BROWN, DEPUTY EXECUTIVE DIRECTOR, NATIONAL URBAN LEAGUE, INC.

Mr. Chairman and members of the Subcommittee, I am Ronald H. Brown, Deputy Executive Director for Programs and Government Affairs of the National Urban League, Inc.

On behalf of Vernon E. Jordan, Jr., Executive Director of the National Urban League, I want to thank the Chairman for his request for our thoughts on the South African government's apartheid policies and our view of the stance American Corporations, with operations in that country, should take in dealing with that minority government.

The National Urban League was founded in 1910 in New York City. It was created out of the reform movement that swept the nation at the beginning of this century at a time when Blacks and whites of goodwill refused to accept a rigidly imposed system of segregation.

From its inception the National Urban League has steadfastly supported social justice for all people and has refused to accept the inhuman notion that any group of people can be denied basic human rights. This is the basis for our condemnation of the present South African government and its policy of apartheid and is the basis of our call today for all American Corporations doing business in that country to divorce themselves from South Africa's system of apartheid and demonstrate to the world that they will no longer stand by and be willing partners to human degregation.

In his speech before the 66th annual conference of the National Urban League, on August 1, 1976, in Boston, Massachusetts, Vernon E. Jordan, Jr. recognized the inhumane nature of the South African government and the need for immediately changing the apartheid system. He noted that on a recent trip to South Africa he had been able to observe the system at work:

"The white minority, numbering perhaps one-sixth of South Africa's population has imposed upon black people the neo-slavery of apartheid. Black children are denied education. Schooling is free and compulsory for whites, while Blacks are charged for their non-compulsory schools. . . .

"The job reservation system keeps Blacks out of skilled work when whites are available to do it and pay differentials result in four out of five black workers getting below even the South African government's poverty level.

"In their own land, the land of their fathers, black people cannot own property, cannot vote, cannot bargain collectively and cannot strike. . . ."

We in the National Urban League see the struggle of the Black people in Soweto and all over South Africa as a fight for the basic human right of all peoples to self determination in their homeland. In this, the 200th year of this nation's struggle for self determination, we challenge all free peoples to support this human right's struggle. We also call for the United States government and American businesses to make it clear that they support neither apartheid nor "separate development" and that they are actively committed to majority rule in all of Southern Africa.

Recent figures show that the population of South Africa is approximately 25 million with Blacks numbering 18 million, whites numbering 4 million, persons of mixed ancestry ("coloureds") numbering 2.3 million, and 700,000 Asians. However, with whites making up only 1/6th of the population they control 70 percent of the purchasing power with white per capita income being approximately 18 times that of black per capita income.

The reason for this radical disparity in income between whites and Blacks becomes clear when one examines the labor system within South Africa. Black, Asian, and "coloured" workers are not allowed membership in the same unions as whites. Black unions are not allowed to bargain with employers and most jobs available to white workers are, by law, excluded to black workers. White workers get the skilled, well-paying jobs while Blacks, Asians, and "coloureds" get the lowest paying and least desirable labor.

This lack of any equal opportunity is at the root of the civil disturbances that are now taking place in the segregated black towns throughout South Africa. Can any rational person expect this social revolution among black South Africans to end as long as the economic and political rights of a majority of the people are denied?

A large and important role in this South African scheme of racial exploitation has been assumed by a growing number of large multinational corporations and banking institutions. Over the past years these corporations have lived quietly with apartheid and have taken advantage of the system's ability to produce large pools of cheap labor. Large American based multinational corporations have invested heavily in South Africa and adopted, by acquiescence, the exploitive, racist, apartheid labor system. Some of these corporations have tried to picture themselves as victims of apartheid while others have claimed that they actually perform a services to the Blacks, Coloureds and Asians by providing jobs, even though the pay is clearly unequal to that earned by white workers at the same companies.

We see the present South African labor policy as clearly exploitive and call on all businesses within that country, especially American based businesses, to use their influence to bring about an end to these blatantly discriminatory practices, and to begin that effort by immediately raising the wages of black, Asian and coloured workers. We know of no law which prevents employers from either rais-

ing wages and fringe benefits, or negotiating with black unions and black workers in an equitable manner. In addition, employers should provide job training opportunities for black workers and where full participation is prohibited by existing laws or regulations, government exceptions should be demanded. However, these corporations must not allow the recalcitrant stance of the South African government to be an excuse for failing to institute basic reforms.

The opportunity and leverage is there—the initiative is lacking. For we know that the government of South Africa is dependent on these American based multinationals for its economic existance and is in no position to refuse these just corporate demands. Furthermore, these corporations must realize that the political life of the current South African minority regime is tenuous at best, and may succumb to the fate of similar ones such as Mozambique, Angola, and shortly will in Rhodesia, and the only hope for their future in South Africa is if they are not perceived as co-conspirators with the present apartheid government.

The National Urban League is also opposed to the South African government's plan for "separate development" of that country. In his August 1, 1976 speech Vernon E. Jordan, Jr. stated that:

"Separate development means that the black majority could be forced on to reservations on 13 percent of the land area of the country. In these "homelands" South Africa proposes to create several mini-states for Blacks. Instead of participating in a democratic, multiracial society in all of South Africa, black people would be permitted into the 87 percent of the country designated as "white" only as migrant workers without any rights at all.

Thus, separate development is a fancy term behind whose sanitized facade the white minority proposed to continue to subjugate and brutalize black people.

For this reason, we view the establishment of the homelands as a system whereby the white minority can continue to deny the vast majority their rights to the fruits of their birthplace.

The present minority South African government is more than just a repressive regime which violates its citizen's basic human rights within its national borders. It is also the main barrier against majority rule in the Southern African region. By illegally supplying to Rhodesia materials prohibited by United Nations Resolution 232, it has propped up the illegal Ian Smith government since 1965. Information recently made public by the Center for Social Action alleges that an American based multinational corporation has allowed its South African and Rhodesian subsidiaries to supply oil and petroleum products to Rhodesia. Although the charges have been denied, nevertheless, products have continue to flow into Rhodesia. Today the National Urban League calls on all multinationals and the U.S. Government to take all necessary steps to assure that such activity, which is clearly in violation of international laws as spelled out by the United Nations, as well as domestic laws as promulgated under Executive Order 11419, will not continue with the assistance of American based corporations.

In another example of the South African government acting as a barrier to majority rule in Southern Africa we see that nation's illegal occupation and exploitation of Namibia. We call on American corporations to declare a moratorium on future investments in Namibia until this nation is given its full independence from South Africa as mandated by the United Nations and the World Court.

In conclusion, we suggest that all American corporations with investments in South Africa immediately take the following actions to challenge the apartheid practices of the current South African government:

1. Publically state to the government of South Africa their opposition to the system of apartheid and strongly urge justice for black, Asian and "coloured" citizens;

2. Demand that the South African government change labor laws that block the upgrading of black workers;

3. Set standards of social responsibility setting forth specific steps each company will take in areas of affirmative action hiring and promotion, education, and housing;

4. Promise to immediately disregard the trappings of apartheid imposed by law;

5. Declare a moratorium on future investments in South Africa until apartheid is abandoned;

6. Refuse to invest in the homeland areas as long as they remain part of a government policy to deny to black, "coloured", and Asian South Africans, citizenship in all of South Africa.

We further call on the United States government to take the following steps, immediately, to assure that basic rights of non-white South Africans are not further swept away by the Vorster government.

1. Demand, of the South African government, that all black political and labor leaders now imprisoned be released immediately;

2. Demand of the South African government, that all journalists now imprisoned, be released;

3. Embargo any future shipments of nuclear reactors or fissionable nuclear material to South Africa;

4. Strictly embargo the shipments of all military weapons to the government of South Africa.

The time has long since passed when the United States should be anything but vigorous in its opposition to the present minority government in Pretoria. The National Urban League believes that black Americans, and indeed all Americans of goodwill, need guarantees that America's African policy is genuinely based on friendship toward the emerging black nations, is designed to assist them to economic self-sufficiency, is geared to achieving majority rule in all of Southern Africa; and is aimed at ultimately undermining of apartheid. American corporations, as practical instruments of this nation's foreign policy and part of this nation's interests abroad must adopt this same stance in South Africa.

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