

very southern tip of Africa, 1,500 miles south in the lovely city of Cape Town. While there we had the good fortune to meet a number of the top government leaders and members of the Chamber of Commerce, such as the Honourable Dr. Diederichs, the Minister of Finance, who has been a member of the government for 25 years. He gave a fascinating address of over one hour's duration, and then answered questions for a considerable time.

Dr. Diederichs said that in 1971, South Africa devalued its currency because its foreign trade balances were falling rapidly. This was the first problem. The second problem in 1971 was a deterioration in terms of trade—that is, trade balances, or the difference between exports and primary products. Their main exports were agricultural commodities, gold, copper and diamonds. Export prices fell and the cost of imports increased as much as 23 per cent in one year, and this caused a good deal of concern in the country.

In December 1971, the Smithsonian Agreement brought about United States devaluation, and South Africa devalued by 12¼ per cent. By the first week in 1972, the reserves had increased very quickly and every week since then the position has improved. The deficit at the end of 1971 was 1,500 million rand and since devaluation the deficit has been wiped out in one year. The reserves today are 1.2 billion rand, calculated at a price of \$42 per ounce of gold. If you take it at the current price of about \$120 an ounce, it will be seen that the reserves are over three billion rand.

Dr. Diederichs said that the rate of growth in South Africa in 1971 was 4.8 per cent, and they did not regard this as satisfactory because of the rapid population growth of 3 per cent per year. The time has now arrived to take positive steps to stimulate the economy.

The third major problem in South Africa is inflation. The inflation rate in South Africa is very high, averaging 6 per cent. In 1973 inflation is averaging 10 per cent, but in the first three months it was running at 16 per cent.

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They do not believe in fighting inflation by restrictive price controls; rather, they hope to lick inflation by stimulating productivity. Their productive machine is capable of producing another 20 per cent above what it is doing at the present time, and they hope to achieve this increased productivity. Imports are almost a quarter of the GNP. Import inflation is running from 6 to 12 per cent per year. Inflation has also been caused by an increase in the price of food. The situation was aggravated by the most severe drought in recent times. Dr. Diederichs feels that 12 per cent inflation will have been worked through by the end of this year.

In looking to the future, Dr. Diederichs said he was optimistic for several reasons. First, Africa has a very rich supply of minerals. Second, they have sufficient mineral and agricultural resources to put all of the people to work. Third, South Africa has the capital. It is almost independent of outside capital, although it still does import a small amount. Fourth, the entrepreneur-capital partnership cannot be productive without trained manpower and high skills, and recently South Africa has been putting an increased emphasis on training more skilled workers. And,

fifth, South Africa faces the problem of providing a more effective machinery for marketing their products.

Most of the revenue comes from income tax, but less than 10 per cent of the population pays income tax. Six per cent of the population pays 60 per cent of the tax. All income above 28,000 rand is taxed at 66 per cent. The corporation tax is 41 per cent, and they have succession duties which start to bite at the stage of 300,000 rand. There is an abatement against this of 25,000 rand for each child.

South Africa's greatest expenditure is for defence which takes approximately 3 per cent of the GNP. The second largest expenditure is on the Department of Bantu Affairs, and the third largest is on water resources. The provincial governments within the South African Republic get 80 per cent of their income from the federal government.

While in Cape Town we were received very courteously by the Vice-President of the Senate, the Honourable D.H. Potgieter, and by the Honourable Bernhardt Muller, Chief Whip of the government party in the Senate. These gentlemen were kind enough to take us through the Parliament Buildings to show us the house in session, and to give a general explanation of the views of the South African government. Similarly, we had a very lively exchange of ideas with the South African Chamber of Commerce in Cape Town, under the leadership of Dr. William Grant, in which the South Africans pulled no punches and the Canadians replied in kind, but it was all in good humour.

They say, "You Canadians come over here and talk about our apartheid and complain about our legislation." Actually, we did not do that. They asked, "What about Watergate? What about the fact that you cannot walk down a street in New York after eight o'clock in the evening?" This is the kind of contrasting comment they make when they think we are being critical of them.

Everywhere we went in South Africa we were met with kindness and magnificent hospitality. The people were friendly. The visit of a Canadian group of businessmen, knowledgeable in their own fields, who were able to meet their counterparts in South Africa, provided the kind of exercise in international understanding which is exceedingly valuable.

Those of us who went to Africa, while not changing our minds about some of the things we did not like, came back with a new appreciation of some of the difficulties the South Africans have to face in taking a huge black population and literally bringing it out of the 17th century into the 20th century industrial society. This cannot be done in a short period of time. It will require a long and intensive period of education. Tolerance and understanding are necessary for it to work. The impression we came away with is that the responsible leaders in South Africa, particularly the English-speaking members of the community, were aware of the dangers of the present situation.

The Afrikaner population, which comprises 65 per cent of the white population, is more isolated, but at the same time it is more homogeneous. The Afrikaners want to preserve the status quo, and in this respect they are supported by the three Afrikaner church organizations, by their farm organizations, and by the Afrikaner press.