

future. Although Britain has broken ranks with its European Community partners by lifting the voluntary ban on new investment in South Africa, this is regarded as a symbolic gesture which is unlikely to encourage an early flow of fresh capital into South Africa, given the unattractive economic climate prevailing there. Similarly, for Canadian and Australian investors there is little appeal in the present situation and they seem prepared to wait for a signal from their governments before embarking on fresh ventures in South Africa.

In Canada, anti-apartheid individuals and organizations remained active in 1989, following events in South Africa and maintaining pressure on companies involved there. In the academic community, virtually all the major universities and colleges either have already divested or are in the process of divesting their endowment fund portfolios of shares in enterprises connected with South Africa. The picture varies with respect to pension fund investments which fall under provincial jurisdiction. In some cases, pension fund trustees are enjoined by provincial legislation to make their investment decisions on financial, as opposed to political or moral, considerations only. Other provinces have no such constraints. In the case of Ontario, the constraints were removed by the enactment of Bill 9 in December 1988 and both the University of Toronto and York University proceeded in 1989 with disinvestment of pension fund investments in South Africa related enterprises. There were sporadic anti-apartheid demonstrations in universities across Canada but generally in 1989 students appeared to be less pre-occupied with South Africa and more concerned with the personal issues of higher fees and post graduation employment.

As for the nature of Canadian company investment in South Africa, this is spread across agricultural equipment, chemicals, construction, consumer goods distribution, mining (off and on shore) and pharmaceuticals. As in the past, these interests are pursued under present circumstances for a variety of reasons including: profitability; confidence in the future for their products and services; desire not to vacate the market for their competitors; and the wish to avoid the financial loss entailed in repatriating capital through conversion at the artificially low rate of the financial Rand. In addition, today there is a growing optimism that political and economic reform will before long open the way to commercial activity under more normal political and economic conditions.

The Canadian Code of Conduct applies to all Canadian companies with direct investment in South African affiliates, regardless of the magnitude of the investment or the number of personnel involved. The degree of equity held by Canadian companies currently ranges between 7 and 100%. During 1989, there were minor changes in the equity held in their affiliates by Sternson Ltd. and Menora Resources Inc. For Sternson, the fall was from 24 to 19.2% while Menora's holding declined marginally from 15.8 to 15%. In each case, the drop occurred as a result of dilution from the addition of non-Canadian capital, not from the sale of Canadian shares. As mentioned earlier, one new company has been included, Bocknek Ltd., whose equity holding in its South African

TABLE II

CANADIAN ENTERPRISES WITH SOUTH AFRICAN AFFILIATES  
(at 31 May 1990)

1. Bayer Foreign Investments Ltd., Toronto, Ontario
2. Bocknek Ltd., Rexdale, Ontario
3. Govt. of Canada, Dept. of External Affairs, Ottawa, Ontario
4. Menora Resources Inc., Toronto, Ontario
5. Sternson Ltd., Brantford, Ontario
6. Varsity Corporation, Toronto, Ontario
7. Unican Security Systems Ltd., Montreal, Quebec

While the number of Canadian company affiliates in South Africa appears to have stabilized at six in 1988, this experience has not been mirrored with respect to Australian, British and United States firms. The number of Australian firms fell from 19 in 1987 to 7 in 1989; British from 160 in 1986 to 120 in 1988 and 111 in 1989; and American from 123 in 1987 to 99 in 1988 and 84 in 1989. The American figures include companies reporting under both the Statement of Principles (Sullivan) and State Department codes of conduct.

Despite the above figures, among foreign firms generally, the momentum toward disinvestment has slowed and future disinvestments are expected to be fewer in number. The reasons for this are varied: Most of the foreign companies still involved in South Africa are there because they are committed to that market, despite the depressed state of the economy. Those that were receiving a poor return on investment and could see little prospect of an improvement in the near future have already departed. Others who may not be faring well are loathe to depart because they could only retrieve their invested capital at a severe loss via the discounted financial Rand. Some companies remain because they do not wish to vacate the field to their competitors. Others are influenced by the perception that political changes are coming and, hopefully, will bring with them stability and, ultimately, economic prosperity more in keeping with South Africa's true potential. Some that remain have been less affected by the anti-apartheid hassle which has been a factor in driving others out. With respect to Canadian companies, those with a major stake in the United States market have not wished to jeopardize that (in the face of State and municipal anti-apartheid legislation) by maintaining a South African presence of infinitely lesser value.

While tougher United States anti-apartheid legislation had been expected before Mr. de Klerk's recent moves toward reform, this is now on hold pending the outcome of anticipated legislative and constitutional developments in South Africa. In this situation, American enterprises are less likely to disinvest in the immediate