

predecessor in form and content. Where it differs, the changes have been made to reflect the 1986 revision of the Code of Conduct and to include an assessment of the performance of Canadian companies and their South African affiliates. Another departure is the use of the term "affiliate" in place of "subsidiary" for the South African partner of Canadian companies. In many cases, "subsidiary" suggests a subordinate relationship which does not exist. Most Canadian companies with South African interests are simply minority shareholders without, in some instances, representation on the Board of the South African firm. This is a fact to bear in mind when considering the degree of influence the Canadian partner can bring to bear on its South African associate.

I am deeply indebted to my predecessor, Mr. Hart, who pioneered the Administrator's job and set the course which I have followed. His experience went into the 1986 revision of the Code of Conduct and the Standard Reporting Format, both of which clarified and broadened the scope of the Canadian Government's objectives and increased the value of the end product.

I am grateful, also, to the many company executives in Canada and South Africa who were the object of my badgering and cajoling and who, in the end, provided the bulk of the information on which this report is based. Many others, too numerous to mention, contributed to my understanding of South Africa and the environment which both attracts and repels business relationships between that country and Canada. To these, I am equally grateful.

John Small

Ottawa
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II BACKGROUND

This report covers the calendar year 1986 and, like its predecessor, is based upon information provided by Canadian companies with commercial or industrial interests in the Republic of South Africa. The primary sources of information have again been the annual submissions of the relevant Canadian firms, supplemented by details derived from personal contact with senior management, both in Canada and in South Africa. Additional background information has come from academic, commercial and other non-governmental organizations.

Following publication of the Administrator's 1985 report, both the Code of Conduct and the Standard Reporting Format were revised substantially to reflect his first year of experience and to take account of the practice of the European Community countries and the Sullivan System with their Codes. Both the revised Canadian Code and the Standard Reporting Format have been broadened in the light of developments in South Africa, the need to improve the Code's administration and to provide clearer, detailed guidance to Canadian companies. The Code itself now includes expanded articles on Collective Bargaining, Wage and Pay Structures, Training and Promotion, Fringe Benefits, Race Relations and Desegregation, together with new articles on Migrant Labour, Encouragement of Black Businesses and Social Justice. A new preamble, an Appendix on Administrative Procedures and Guidance and a more substantial conclusion round out the changes. The new Standard Reporting Format, with its extended requirements, reflects the above changes in the Code. It also takes account of suggestions submitted by involved Canadian firms and other interested organizations. To facilitate comparison between 1985 and 1986, this report for the most part follows the organizational pattern of its predecessor.

The principles, conditions and objectives which the Canadian Government believes should characterize the policies and employment practices of Canadian companies operating in South Africa remain unchanged. These include the basic human rights and the elimination of all forms of discrimination. They are expected to be reflected in equality of opportunity with respect to employment and training; equality in terms of working conditions and, in particular, equal pay for equal or comparable work; in the freedom of association and the rights to organize and bargain collectively. While these are expected to apply to all employees, regardless of race, they have particular relevance to the employment conditions of Black African workers, to a considerable extent to other non-White employees, and to the quality of life they and their dependants enjoy.

The factors affecting decisions by Canadian companies concerning their involvement in South Africa continued through 1986 to point toward disinvestment. On the positive side, the South African economy registered a modest upturn with GDP growth in real terms of over 1%, following two years of recession and negative growth. Led by strong export performance, both the trade and current account balances were in substantial surplus. The price of gold rose and the value of the Rand appreciated. Timely rains in the second half of the year put new life into agriculture after four