The American, Australian and British Code authorities were consulted, as well as the UN Centre for Transnational Corporations and the UN Centre Against Apartheid in New York, the Commonwealth Secretariat in London and the Investor Responsibility Research Centre in Washington D.C. Views were exchanged with South African Government officials in Ottawa and Pretoria. In South Africa, discussions also involved representatives of trade unions, management, business and industry associations, Chambers of Commerce, Churches, universities, political parties, the South African Institute of Race Relations and many other groups and individuals.

I am deeply indebted to all those consulted for their generous contributions of time and information; to the Canadian companies and their South African affiliates for their ready cooperation; and to the Department of External Affairs in Ottawa and the Canadian Embassy in South Africa for their helpful logistical support.

While grateful to those mentioned above and to many others, the responsibility for the content of this report is entirely mine.

Ottawa
31 May 1989

John Small
Code Administrator

II BACKGROUND

General

1988 - Superficially, South Africa marked time in 1988: the Government was firmly in command and the economy improved for the third year running. But a number of noteworthy developments gave notice of changes to come. Early in the year, the National Party was defeated by the right wing Conservative Party in three by-elections, continuing the trend initiated by the 1987 general election. Partly in response to the Conservative resurgence and partly as an effort to regain political and economic control, the Government in February banned political activity on the part of 17 anti-apartheid organizations and their leaders (more later in the year) and tightened press censorship. The result was evident in the disarray of Black leadership and in the number of strikes which fell significantly from the previous year's record.

The Government announced its priorities would be security and economic development, on the ground that the two were inseparable and necessary before contemplation of political reform. A better economy, it was argued, would suit the Black population which, in turn, would make for better security and encourage Black participation in the proposed National Council on constitutional reform. After a quarter century in custody, Black nationalist Govan Mbeki was freed, apparently as a test case for the subsequent release of Nelson Mandela. Any credit for this action was lost when Mr. Mbeki was severely restricted in his actions and mobility; and Mr. Mandela's refusal to negotiate unless unconditionally released has deterred the Government from setting him free.

The municipal elections in October were the first in South Africa in which the voters of all races went to the polls at the same time but the extremely low Black turnout and Conservative gains disappointed the authorities.

The final major development was the Government's decision to withdraw from Angola and Namibia, an action hastened by mounting financial and human costs.

On the economic front, heavy consumer spending resulted in the imposition of credit curbs and higher interest rates in May, while continuing excessive Government consumption expenditure contributed to another round of rising inflation going into 1989. Direct taxes rose 17.5%, while official statistics state that incomes rose by 14.5%. The last job reservation legislation (in mining) was erased from the statute book in 1988.

1989 - The outlook for South Africans in 1989 is rosier than it has been for years. Among the reasons for this, there is, first, the impending retirement of President P.W. Botha and his likely replacement by Mr. F.W. de Klerk. This has raised hopes among many South Africans of all