

This principled point of departure then leads in the Code of Conduct to the specification of conditions and objectives and in the standard reporting format to the corresponding detailed inquiries which are grouped under the subject headings of general working conditions, collective bargaining, wages, fringe benefits, training and promotion and race relations. I shall follow this pattern below in bringing together information provided in individual company reports. Before doing so I will comment briefly on the list of Canadian companies, appearing as Annex A to this report, and on some general characteristics of their organization, policies and activities against the background of a challenging and complex local situation. This may help to place their presence in South Africa in a more general perspective.

PART II. THE COMPANIES

On a point of terminology I should like first to make a distinction which I shall follow in this report. Where the terms "companies" or "company" are used the reference is to Canadian-based corporations. When the terms "subsidiaries" or "subsidiary" are used the reference is to the South African companies with which the Canadian corporation is associated regardless of whether or not the latter is a majority or minority shareholder.

One of my first tasks, having inevitably some priority, was the compilation of a reliable list of Canadian companies associated with South African subsidiaries, including companies which, possessing no direct investment in South Africa, have a representative office, employing some local labour, in South Africa. Many lists, prepared by various organizations, institutions and groups including two published by different offices of the United Nations, were publicly available but differed, often considerably, in their content. Extensive inquiries and checking pointed to a continually changing situation in Canadian direct investment in South Africa. Thus four companies which I contacted indicated that they had taken steps to disinvest or to cease operations in South Africa over the previous six months or so.

As a result of these inquiries the number of Canadian companies firmly identified as coming under the scope of the Code of Conduct stood at eighteen at the beginning of March of this year and their names are listed at Annex A. Subsequently on March 20, 1986 a

fifth company, Alcan Aluminium Limited, announced that it was disposing of its investment in South Africa to its partner there and I was informed by letter that the company in these changed circumstances would not be submitting an annual report to me. It may be recalled that Alcan had regularly submitted annual public reports to the Department of External Affairs since the introduction of the Code of Conduct in 1978.

The reduced number of Canadian companies may, subject to the fluctuating value of the rand*, portend a continuation of the decline in the value of direct Canadian investment in South Africa in recent years. In 1984, the last year for which estimates are available from Statistics Canada, the value of direct investment amounted to \$135 million compared to \$189 million in 1983 and a high of \$239 million in 1981. This declining trend undoubtedly reflects the severe economic recession sustained by South Africa and which, with some diminution of its broader impact, still prevails.

Two of the five Canadian companies mentioned above specifically indicated that it was no longer profitable to continue their activities in South Africa. Two other companies explained their disengagement from South Africa in terms of the disposal of such assets within the transfer of larger ownership arrangements to non-Canadian companies. In the case of the fifth company its public announcement explained the sale of its South African subsidiary as part of a policy of developing new strategic directions which had led to the sale of investments in various countries. It might be noted, however, that if this company had not decided to dispose of its assets it would have been asked to do so a few days later at its annual meeting by shareholders representing a number of Canadian churches and religious orders.

As indicated on the list at Annex A, of the remaining companies now operating in South Africa, four are associated with two subsidiaries each, one with three subsidiaries and another ten with one subsidiary (or in one case a representative office) each.

* In 1980, on the average, the rand, the South African unit of currency, exchanged for \$1.50 Canadian. On May 15, 1986 its rate of exchange in Canadian funds was \$0.638.