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CODE OF CONDUCT

CANADIAN COMPANIES IN SOUTH AFRICA

Code of Conduct Concerning the
Employment Practices of Canadian
Companies Operating in South Africa

Code d'éthique touchant les
conditions d'emploi des sociétés
canadiennes opérant en Afrique du Sud

31 May 1990

The Right Honourable Joe Clark, P.C., M.P.
Secretary of State for External Affairs
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario, K1A 0G2

Dept. of External Affairs
Min. des Affaires extérieures
OTTAWA

JAN 24 1991

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Dear Mr. Clark,

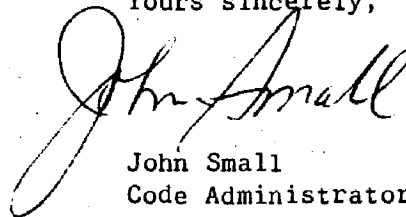
I have the honour to submit herewith the fifth annual report on the Administration and Observance of the Code of Conduct Concerning the Employment Practices of Canadian Companies Operating in South Africa.

As required by my terms of reference, I have updated the list of Canadian companies to which the Code of Conduct applies, drawn their attention to the Code and its standard reporting questionnaire, collated their reports and consulted, in addition to the companies in Canada and their South African affiliates, a wide range of relevant governmental and non-governmental organizations and individuals. My report, based upon these consultations and company documentation, is presented for your consideration, together with information copies of the company submissions.

The number of Canadian companies still involved in South Africa and included in this report remains, as it was a year ago, at six. This results from the disinvestment of one company and the addition of another whose presence in South Africa was hitherto unknown. The equity holdings of two of the Canadian companies has declined in the past year. This is a consequence of dilution through the investment of additional South African capital, not from the disposal of Canadian held shares.

With the apparent stabilization at six of Canadian company interests in South Africa, together with the political changes in progress there, you may wish to consider the necessity or otherwise of continuing to monitor company performance through an independent administrator. An alternative might be to accord a watching brief to the Canadian Embassy in South Africa.

Yours sincerely,



John Small
Code Administrator

THE
ADMINISTRATION AND OBSERVANCE
OF THE
CODE OF CONDUCT
CONCERNING THE EMPLOYMENT PRACTICES
OF
CANADIAN COMPANIES OPERATING IN SOUTH AFRICA

FIFTH ANNUAL REPORT
FOR THE YEAR 1989

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I PREFACE

This is the fifth annual Administrator's report under the Code of Conduct Concerning the Employment Practices of Canadian Companies Operating in South Africa. It covers the 1989 calendar year. The Code was issued originally in 1978 under the authority of the Secretary of State for External Affairs and was revised in 1986. Adherence to the Code is now and always has been voluntary. Initially, the Code was regarded as a guideline and companies, with one exception, did not submit reports on their South African operations. Since the appointment of an Administrator in 1985, most of the Canadian enterprises with South African affiliates have reported on an annual basis. The number so involved continued to decline until 1989 and appears to have stabilized at six.

It is not part of the Administrator's task to either encourage or discourage disposal of Canadian investments in South Africa. Disinvestment has been and remains a decision for companies alone. The disposal of assets in South Africa by Canadian and other foreign firms reflects primarily economic and commercial considerations, frequently reinforced by pressures generated by anti-apartheid forces in Canada and elsewhere.

The Code of Conduct program is one of a variety of measures adopted by the Canadian Government to demonstrate opposition to apartheid and to encourage the South African Government to undertake fundamental reforms and enter into negotiations with non-White leaders toward the establishment of non-racial, democratic, representative government. The Code aims to combat racial discrimination through the encouragement of company policies and employment practices which respect human rights and advance equality. Such policies and practices should encompass:

- equality of working conditions
- equality of pay for equal or comparable work
- equality of opportunity with respect to employment and training
- freedom of association and the right to organize and bargain collectively
- promotion of social justice and peaceful achievement of economic, political and social reforms by positive, constructive and legal means.

These principles and rights apply to all races but have special relevance to Black, Coloured and Asian employees and to the quality of life which they and their dependents enjoy.

The methodology employed in preparing this report and its organizational pattern remain unchanged. Its basic data have come from the Standard Reporting Questionnaire completed by Canadian companies in collaboration with their South African affiliates. Additional

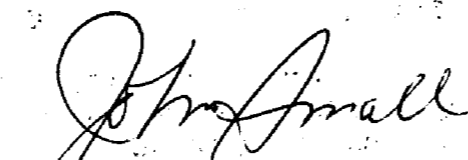
information has been provided by a wide range of individuals and organizations with an interest in and knowledge of South Africa. Visits to South Africa, Britain and the United States yielded valuable background information. The American, Australian and British code authorities have again been consulted, 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 officials in Ottawa and Pretoria. In South Africa discussions also involved representatives of trade unions, management, business and industry associations, Chambers of Commerce, Churches, legal authorities, universities, political parties and many other groups and individuals.

The Background section of this report has been expanded this year because of the changes taking place in South Africa. The situation there is at once both better and worse than it has been in recent years. An attempt, therefore, has been made to present the highlights of the economic and political situation which have had and continue to have a bearing on the difficult environment in which industrial and commercial enterprises are obliged to operate in South Africa.

For the first time since undertaking this task four years ago, it is a pleasure to report that South Africans of all races and occupations expressed to me their belief that reform is under way and that apartheid, while still in place, is on the way out. At the same time, all South Africans are not pleased with this prospect and threats to the process exist both from the extreme left and extreme right of the political spectrum. Raised hopes and expectations have already created new difficulties and are contributing to the spread and intensity of violence and turmoil. The degree and duration of these problems will be related to the progress achieved in the preliminary talks and in the substantive negotiations still to come between the Government of South Africa and non-White leaders.

I am again, deeply indebted to all those consulted who, despite their preoccupation with the rapidly changing political environment and the accompanying economic and social ferment, gave generously of their time and information; to the Canadian companies and the South African affiliates for their friendly cooperation; and to the Department of External Affairs in Ottawa and the Canadian Embassy in South Africa for their helpful logistical support.

While grateful for their contributions to my understanding of South Africa and to the substance of this report, the responsibility for its content is mine alone.


John Small
Code Administrator

Ottawa
31 May 1990

II BACKGROUND

The Economy 1989

In strictly economic terms, the modest but steady progress made by the South African economy over the previous three years came to a halt in 1989. Growth, as measured by GDP in real terms, climbed from 0.3% in 1986 to 2.1% in 1987, 3.7% in 1988 but drifted down again to 2.1% in 1989. Consumer expenditure followed a similar pattern from a buoyant 3.7% growth in 1987 and 4.9% in 1988 to a bare 1% in 1989. During the same period some success was achieved in lowering inflation from 18.6% in 1986 to 16.1% in 1987, 12.9% in 1988 but by December 1989 it had risen again to 15.4%. It has not been below 10% since 1973.*

Money supply (M3) grew at the rate of 23.5% in 1989, far in excess of the Reserve Bank's 14-18% guideline. This in itself provided ample justification for the 1 percent rise in bank rate to 18% in October which, in turn, resulted in an increase in prime rate to 21% where it remains at time of writing. Gross domestic fixed investment was in decline between 1982 and 1987 but, led by mining and manufacturing, rose in real terms by 8.6% in 1988, only to fall back by more than half to 4% in 1989.

While unemployment statistics are a subject of debate in South Africa, best estimates place the figure for total non-White unemployed at 4 to 6 million, with the rate for major urban conglomerations between 30 and 40%. These figures relate to full time employment in the formal economy. Survival, especially for non-Whites, often depends upon the informal or unrecorded economy, about the size of which there are substantial differences of opinion. In March this year, the Central Statistical Service reported that the informal sector accounted for 8% of South Africa's GDP, with hawkers (32%), crafts (27.5%) and transport (18.8%) being the major areas of activity. The Reserve Bank put the size of the unrecorded economy at a maximum of 10%. Academics and others have suggested these figures are modest and result from too restricted a definition of informal activity. Given that the official figures exclude both the Homelands and Black activities in White areas, it seems clear that 8 to 10% would be an absolute minimum and unofficial estimates range as high as 40% of total GDP. Whatever the true figure, the existence of a substantial informal or unrecorded sector reflects the inability of the formal economy to provide a living for a large portion of the South African working population. On the brighter side, Black workers who were both formally employed and unionized in 1989, received, on average, pay increases above the rate of inflation, ranging

* Some of the figures quoted differ from those used in last year's report because they have since been adjusted by the South African statistical authorities.

from 16 to 20%. Reserve Bank figures indicate an average increase across the economy of 15.1% in the first half of 1989, down from 15.8% in 1988.

All was not gloomy in 1989, for agriculture, mining, manufacturing, foreign trade and the Johannesburg Stock Exchange all recorded excellent results. Agriculture had its best year in the past decade. The maize crop at 11 million tons, while not a record, was of bumper proportions. Wheat production did not come up to 1988's record but was still good enough to permit substantial exports valued at R 360 million. Spending by the agricultural industry on capital and intermediate goods was up and interest payments were down. Gross farm income for the year to June, 1989, was a record R 15.4 billion. Of the 2.1% increase in South Africa's GDP in 1989, approximately half was contributed by agriculture.

For gold, 1989 was a disappointing year when production fell by more than 2% to 606 tons from 619 in 1988. The average price for the year was down 13% to US \$380 per ounce (US\$437 in 1988). The high cost of production from inefficient mines continues to be a worry. Nevertheless, the continuing importance of gold to the economy is reflected in the total value of sales at R 20 billion in 1989. After gold, coal remained the next largest earner of foreign exchange from the export of some 44 million tons, slightly below the record of 45 million tons set in 1986. With the dollar price 20% higher, 1989 was an excellent year for the industry. The rarer minerals: platinum, manganese, chrome, vanadium continued to perform well and diamonds production was up 6.5%, though total sales value was down slightly from 1988. Total South African mineral sales at R37.7 billion represented an 11.1% increase over 1988. Manufacturing, after three good years of growth between 1986 and 1988, fell in volume terms for the first time since 1985.

Over the year 1989, the Rand fell against all the major currencies, suffering most against the U.S. dollar with a drop of 15.4%. The final quarter brought a substantial recovery following a return of confidence induced by South Africa's debt rescheduling and a firmer price for gold late in the year. The rescheduling agreement with foreign bank creditors, reached in October, comes into effect on July 1, 1990. This requires repayment of some US \$1.5 billion by the end of 1993, from a total outstanding of US \$8 billion. An additional US \$12 billion in external debt is also outstanding and will need repayments amounting to US \$6 to \$8 billion over the four years 1990-1993. These obligations will require maintenance of a substantial current account surplus in the balance of payments, thus limiting the capacity for growth and job creation. The current account surplus rose to R4.1 billion in 1989 compared with R2.9 billion the year before and was just sufficient to service foreign debt repayments amounting to about US \$1.5 billion. Nevertheless, according to the Minister of Finance, the net capital outflow of R5.6 billion in 1989 resulted in a continuing fall in net foreign exchange reserves.

South Africa's ability to service its foreign debt relies heavily on maintaining a surplus on current account and, especially, on its foreign trade component. Sanctions notwithstanding, exports performed well in 1989. This was due to market diversification and to the fact that close to 70% of merchandise exports originate from mining, an area largely immune to sanctions by virtue of the relative scarcity and essential nature of the minerals concerned. Along with wheat and maize, wool, sugar and fruit did well and agricultural exports grossed between R4 and R5 billion in 1989. At the same time, import constraints in the form of import surcharges, a weak Rand and high interest rates, contributed also to the favourable current account balance.

The Johannesburg Stock Exchange boomed in 1989 and, with a 66% growth in prices, outperformed all the world's major exchanges except those of Mexico and Austria. This was a result of a general increase in optimism, high domestic liquidity and a jump in the price of gold in the latter part of the year.

If there was ever any doubt about the depressing effect of sanctions and disinvestment on the South African economy, it was dispelled by a number of statements and studies issued recently in South Africa. In his budget statement on 14 March 1990, the Minister of Finance likened South Africa to the third world countries whose development had depended on international capital which now had to be repaid. He said the consequent outflow of capital was aggravated by disinvestment and, unlike the developing countries, South Africa for political reasons had been cut off from normal international banking facilities such as those of the IMF. This, according to the Minister, had complicated management of the balance of payments and forced South Africa to maintain a surplus on current account which had adversely affected the growth capacity of the economy.

A report of the Trust Bank of South Africa was more specific. It estimated the impact of international sanctions since 1985 in the following terms: loss of output of R80 billion (C \$40 billion); losses from reduced exports and capital outflows of R40 billion (C \$20 billion); GDP in real terms reduced by 10%; employment reduced by 500,000 (an official report put this figure at 1,000,000); real consumer spending reduced by 15%.

Late in the year, the South African Broadcasting Corporation, reflecting official opinion, acknowledged that sanctions could not be brushed aside or easily overcome and that they had a serious effect on the economy. Beyond their strictly economic effects, they had adversely affected social conditions, job creation, unemployment and standards of living. Further, social and economic reform must go hand in hand, economic adjustments would have to be made in response to sanctions and these adjustments "must be underpinned by positive and dynamic progress in social and constitutional reform". It seems clear that the realities reflected in these statements have contributed to the South African Government's decision to reverse forty years of National Party and Government policies on apartheid and launch out in a new direction.

Political Situation 1989

Politically, 1989 was a watershed year with a general election in September and the replacement of Mr. P.W. Botha as State President and leader of the National Party by Mr. F.W. de Klerk. Addressing Parliament on 2 February 1990, Mr. de Klerk said the September elections had "placed our country irrevocably on the road to drastic change." The National Party was returned with a reduced but comfortable majority. Elected were 93 National Party members (1987: 123), 39 Conservative Party (22), 33 Democratic Party (19 formerly PFP) and 1 undecided. With 12 appointed the total figures are respectively 102, 41, 34 and 1. Mr. de Klerk declared the result had produced a two thirds majority of the electorate in favour of reform, given that the NP received 48% of the votes and the DP 20%. Mr. de Klerk's new Cabinet brought in six new members, notable for the inclusion of two representatives of the English speaking community and one woman, the first for a South African Cabinet. A businessman, Mr. Wim de Villiers, was included as an earnest of the Government's seriousness toward privatization and deregulation. Elections to the other two houses of Parliament, the Coloured House of Representatives and the Asian House of Delegates, were notable chiefly for the low turnout of voters at 20% and 17% respectively. The disenfranchised Black people demonstrated their disapproval of the proceedings by some three million workers refusing to report for work on election day.

During the year, notable pointers to the future were the unconditional release in October of one PAC and seven long term ANC political prisoners and official permission to celebrate their release at the largest rally ever held in South Africa, despite the fact that the ANC, PAC and other political organizations remained banned at that time. The debate on banning intensified. On the Government side, violence and armed struggle by the ANC and others remained stumbling blocks while the ANC continued to demand lifting of the state of emergency, unbanning restricted organizations and individuals, release of political prisoners, removal of troops from Black townships and an end to political trials and executions. Late in the year, President de Klerk announced the complete desegregation of public beaches and his intention to seek repeal of the Separate Amenities Act.

Nelson Mandela remained in custody but was moved, following a stint of hospitalization, to pleasant quarters where he was permitted to receive, besides family members, representatives of the ANC and Mass Democratic Movement. In addition, meetings between Mr. Mandela, Mr. de Klerk and other officials indicated the Government's willingness to deal with the ANC on future reforms.

Efforts to defuse the Inkatha/UDF-COSATU power struggle in Natal failed when Inkatha withdrew in September from the peace initiative launched earlier by the two sides. Fighting between them immediately intensified.

Political Situation 1990

The consequences of the National Party electoral victory and Mr. de Klerk's accession to the State Presidency last September have been dramatic and, to South Africans of all races, breathtaking. At the opening of Parliament on 2 February 1990, President de Klerk announced the unbanning of 36 organizations and their leaders, including the ANC, PAC and South African Communist Party. Among the freed were those who had been detained when their organizations had been banned, along with some 374 others subject to restriction orders. The President confirmed his intention to repeal the Separate Amenities Act and announced the imminent release of Nelson Mandela, a promise which became a reality on 11 February 1990.

Since then the President has met with Mr. Mandela privately and with an ANC team in an attempt to lay the groundwork for more formal constitutional negotiations. Initial reports have suggested that genuine progress was made toward the diminution of obstacles to the commencement of substantive negotiations. On the Government's side, the ANC's ongoing adherence to armed struggle has remained a stumbling block while the continuing state of emergency and the remaining political exiles and detainees are equally inhibiting to the ANC. The carefully balanced result of these meetings included a promise by the Government to review security legislation and to work toward raising the state of emergency, an undertaking by the ANC to look hard and earnestly at the ending of armed struggle and, finally, agreement to establish a joint working group to look into such contentious issues as the release of political prisoners and the return of exiles. They also agreed to open channels of communication aimed at curbing violence and intimidation from whatever quarter.

The expectations raised by Nelson Mandela's release, the unbanning of individuals and political organizations and the promise of a new South Africa have led to more unrest and violence. Those who have waited patiently, in anger or despair have been given fresh hope and determination and are increasingly frustrated that tangible results are slow in coming. This attitude and the often mindless and vicious response of security forces have led to renewed clashes, more violence and frequent tragedy. In the absence of a meeting and agreement by Mr. Mandela and Chief Mangosuthu Buthelezi, the power struggle between the UDF/COSATU and Inkatha has continued and intensified. The Government's Homelands policy is collapsing in the face of demands by their citizens for an end to corruption and for reintegration into South Africa. The growing impatience and radicalism of the non-Whites is mirrored by an equally serious threat from the ultra conservative radical right whose leaders have openly threatened to take the law into their own hands to preserve a White Afrikaner society.

Disunity within the ranks of both the White and non-White communities remains a threat to progress toward reform and a democratic, non-racial society. While the more liberal Democratic Party has had its policies adopted holus bolus by the National Party, the right wing

Conservative Party (which to date has said it will stick to constitutional means) and, still more, the far right Herstigte Nasionale Party, the Afrikaner Weerstandsbeweging (AWB), the Boerestaat Party and others have declared their undying opposition to Mr. de Klerk's reforms. The latter are prepared and willing to employ arms to achieve their ends.

At the other end of the political spectrum, there are radical non-Whites who want no part of negotiations but a simple turnover of power. Amongst these is the Pan Africanist Congress (PAC) whose slogans still include "one settler, one bullet". The Black Consciousness Movement, AZAPO and others are only slightly less aggressive but may go along with the ANC to avoid being left out of the reform process. The ANC itself is far from monolithic in its policies and leadership. Rivalry exists between some of the exiled leaders and those who carried the torch within South Africa for over a quarter of a century. The ANC rank and file are restless, the young being more impatient and radical and attracted to the hard line of the PAC. The Robben Island returnees have still to consolidate their positions. Finally, Chief Gatsha Mangosuthu Buthelezi, as political leader of the Zulus and of the million and a half strong Inkatha, represents another strong element of opinion within the Black community.

The Economy 1990

The slow down of the South African economy in 1989 seems destined to continue in 1990. Apart from Mrs. Thatcher's symbolic act of lifting the British voluntary ban on new investment, the international community has shown no signs of relaxing sanctions until there is clear evidence of the dismantlement of legislative apartheid and progress toward a new democratic, non-racial constitution. As long as this situation continues, the South African Government will be obliged to maintain its current policy of strict fiscal and monetary restraint. Its aim, as outlined by the Minister of Finance in his latest budget statement, is to restructure the economy, suppress inflation and seek to redress the inequities of the apartheid past. The latter will be sought through increased investment in housing, education and the elimination of poverty. As a start, a total of R3 billion have been earmarked by the Government for these purposes.

Both the Minister of Finance and the Governor of the Reserve Bank, backed by the State President, have made it clear that the Government's efforts this year will be concentrated on reducing inflation. This is needed to ensure a substantial surplus in the current account of the balance of payments in order to finance repayment of foreign debt. Fiscal and monetary restraints will continue. While bank rate is unlikely to rise, barring unforeseen external influences it will only fall gradually, in keeping with efforts to ensure positive real interest rates. The prime rate will therefore remain in the area of 20%. The Reserve Bank has set its guidelines for growth of money supply (M3) in the range 10-14%, though past experience suggests this may be unduly optimistic.

The modest growth of 2.1% recorded in 1989, is expected to decline further to under 1% in 1990. The economy is currently moving toward stagnation and could slip into negative growth by the year's end. Inflation, the Government's prime target, should come down a notch to around 13%. Consumer expenditure and investment in fixed assets will be flat and could end in negative growth. The 1990/91 budget accorded only nurses, police and some other security personnel wage increases and promised to look at the remuneration of the lowest paid public employees. Wage increases generally are not expected to exceed the rate of inflation. While some fear the tax relief offered by the budget might be inflationary, the consensus suggests this will not be unduly so. Budget concessions to savers and investors, along with higher spending on social services, offset by lower security costs in real terms, are expected to have a positive effect overall.

The prospects for better labour relations and industrial peace improved substantially following a meeting in March between the Minister of Manpower and representatives of the major trade unions, COSATU and NACTU. This resulted in an unprecedented joint statement which committed the parties "to reaching the broadest possible consensus and consultation on future labour legislation". The Minister further committed himself to seeking amendment of the Labour Relations Act during the current session of Parliament, based upon an agreement between the trade unions and SACCOLA, the employers federation. Against these hopeful developments is the general increase in unrest due to the raised expectations of non-Whites following on Nelson Mandela's release and the Government's promise of reform. Given the need for an economic growth rate of 5 to 6% to accommodate the annual increase in the number of economically active workers, the prospect of a stagnant economy in 1990 can only add pressure to the existing explosive unemployment situation.

Increased exports and lower imports in January and February 1990 combined to produce both a trade surplus of just under R 3 billion and optimism concerning a possible current account surplus for the entire year of R 7 billion. Nevertheless, a slowing world economy, continuing international sanctions and the tendency of mineral prices to fluctuate widely, militate against over optimism at this time. Agriculture is not expected to contribute as much to GDP as it did in 1989 and there is the prospect of a need to import wheat. Much will depend on the price of gold which after an improvement in the latter half of 1989, declined again early in 1990 and, along with arms, was among the losers in January-February exports. Minerals generally, especially the rarer ones, should hold their own over the year. Manufacturing, still suffering from lack of fresh investment and faltering demand, could decline again in 1990.

The key to an improved and growing economy remains the lifting of international sanctions and a substantial inflow of investment capital.

III CANADIAN COMPANIES IN SOUTH AFRICA

The trend toward disinvestment of South African interests by Canadian enterprises ended in 1988. No further disinvestments occurred in 1989 although the status of one major company changed. QIT-Fer et Titane Inc. of Montreal and its South African affiliate, Richards Bay Minerals, changed hands when the RTZ Corporation of London, England, purchased the mineral holdings of BP International Ltd. The transfer of ownership, initiated on 1 January 1989, was completed in June the same year. Table I lists the disinvestments that have occurred over the past four years. Table II lists the remaining enterprises.

TABLE I	
DISINVESTMENT OF SOUTH AFRICAN INTERESTS BY CANADIAN COMPANIES	
<u>1986</u>	<u>1987</u>
1. Alcan Aluminium Ltd.	1. AMCA International Ltd.
2. Bata Ltd.	2. Champion Road Machinery Ltd.
3. Dominion Textile Inc.	3. Chempharm Ltd.
4. Jarvis Clark Co. (CIL)	4. Cobra Metals & Minerals Inc.
	5. Cominco Ltd.
	6. DeLCan Ltd.
	7. Falconbridge Ltd.
	8. International Thomson Organisation Ltd.
	9. Joseph E. Seagram & Sons Ltd.
	10. Moore Corporation
	11. Ford Motor Company of Canada Ltd. (Completed in 1988)
<u>1988</u>	<u>1989</u>
1. JKS Boyles International Inc.	1. QIT-Fer et Titane Inc.*
2. National Business Systems Inc.	

* Transfer of ownership, June 1989. QIT's 42.6% equity holding in Richards Bay Minerals was acquired by BP International Ltd in February 1988. This was subsequently raised to 50% through investment of profits in South Africa, not through transfer of capital from Canada. In June 1989, RTZ Corporation acquired BP International Ltd's mineral holdings, including: a) BP International's interest in RBM and b) BP America's interest in QIT. Legally, QIT is now owned by Tinto Holdings Canada Ltd. which is a wholly owned subsidiary of RTZ Corporation in London, England.

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

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

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(at 31 May 1990)

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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

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 V

TOTAL AND NON-WHITE EMPLOYMENT IN AFFILIATES
OF CANADIAN FIRMS THAT HAVE DISINVESTED

<u>1986 Disinvestors*</u>	<u>Total Employment</u>	<u>Non-White Employment</u>
Alcan Aluminium Ltd. (3 affiliates)	3,606	2,848
Bata Limited (3 plants)	3,253	3,090
Dominion Textile Inc.	270	129
Jarvis Clark Co. (CIL)	89	28
	<u>7,218</u>	<u>6,095</u>
<u>1987 Disinvestors**</u>		
AMCA International Ltd.	35	18
Champion Road Machinery Ltd.	53	19
Chempharm Ltd. (Estimate)	200	150
Cobra Metals & Minerals Inc. (2 affiliates)	521	425
Cominco Ltd. (2 affiliates)	126	109
DeLCan Ltd.	110	10
Falconbridge Ltd. (2 affiliates)	4,757	4,426
Ford Motor Co. of Canada Ltd. (2 plants)	4,853	3,298
International Thomson Org. Ltd.	123	31
Joseph E. Seagram & Sons Ltd.	5	1
Moore Corporation (2 affiliates)	529	270
	<u>11,312</u>	<u>8,757</u>
<u>1988 Disinvestors***</u>		
JKS Boyles International Inc.	9	3
National Business Systems Inc.	170	54
	<u>179</u>	<u>57</u>
<u>1989 Disinvestors****</u>		
QIT-Fer et Titane Inc.	2,058	1,463
Total 1986-89	20,767	16,372
* 1985 figures.		
** All figures are for 1986 except those for DeLcan and Falconbridge which are for 1985.		
*** 1988 figures.		
**** 1989 figures. See Table I.		

IV OBSERVANCE OF THE CODE

TABLE VI		
TOTAL AND NON-WHITE EMPLOYMENT AT CANADIAN AFFILIATES ON 31 MARCH 1990		
Canadian Company	Total	Non-White
Bayer Foreign Investments Ltd. (5 affiliates)	1,895	1,070
Bocknek Ltd.	6	2
Govt. of Canada	36	12
Menora Resources Inc.	16	4
Sternson Ltd.	56	43
Unican Security Systems Ltd.	4	2
Variety Corporation	375	214
	<u>2,388</u>	<u>1,347</u>

Canadian companies and their South African partners cooperated readily in providing complete information on their South African operations, both by way of direct contact and by completion of the standard reporting questionnaire. See Table VII.

The few remaining Canadian companies and their South African partners generally comply with the basic requirements of the Code of Conduct. The larger firms, by virtue of their size and substantial resources, are able and do devote substantial resources to programs and practices which meet the Code's objectives. The smaller firms, without comparable resources, are, nonetheless, working within their means to ensure fair practices and advances in the desired directions. Given the far from buoyant state of the South African economy and the combination of factors contributing to this - a shrinking world economy, international sanctions, shortage of investment capital, high inflation and stiff competition - commercial and industrial enterprises have little leeway for rapid progress. Within these constraints, however, improvements are coming but at a rate that is slower than either desired or desirable.

1. General Working Conditions

Currently, all South African affiliates of Canadian companies provide safe and otherwise acceptable working conditions for their employees. All are aware of the need for improvement with respect, especially, to non-White personnel. Times are changing and progress is being made but much remains to be done. Canadian affiliates compare favourably with their peers.

2. Collective Bargaining

Encouraging progress was achieved in March 1990 when the major trade unions met with the Minister of Manpower. The Minister committed himself to seeking amendment of the Labour Relations Act during the current session of Parliament, along lines agreed earlier between the unions and the employers' federation. The unions and the Minister further committed themselves to reaching the broadest possible consensus and consultation on future labour legislation. As the last amendment to the Labour Relations Act was strongly opposed by the trade unions, this new effort at consensus and cooperation augurs well for labour relations in the future. The unbanning of political organizations and individuals in February this year further removed some of the constraints on union activity.

Trade unionism and collective bargaining are accepted features of the South African scene and undoubtedly will be an area of extreme activity in consonance with the other reforms promised and in the making.

With respect to Canadian affiliates, the larger ones are unionized and generally meet Code of Conduct requirements. The smaller firms mostly have an open-door policy with direct access to management when

TABLE VII			
STATUS OF CANADIAN COMPANIES OPERATING IN S.A. IN 1989 WITH RESPECT TO:			
	(A) NO. OF AFFILIATES	(B) REPORT SUBMISSION	(C) DISINVESTMENT
Canadian Company	No. of Affiliates	Reported	Disinvested
Bayer Foreign Investments Ltd.	5*	Yes	
Bocknek Ltd	1	Yes	
Govt. of Canada - Dept. of Ext. Affairs	1	Yes	
Menora Resources Inc.	1	Yes**	
QIT-Fer et Titane Inc	1	Yes	June 1989***
Sternson Ltd	1	Yes	
Unican Security Systems Ltd	1	Yes	
Variety Corporation	1	Yes	

* Bayer provided a copy of its report to the West German Code authorities. One of Bayer's S.A. affiliates was absorbed by another, reducing the total to 5.

** Report expected but not received at time of printing.

*** See Table I footnote.

required or they work through a spokesperson. The option to unionize is there but rarely taken where only a few employees are involved.

The Canadian Embassy, in lieu of a trade union with full bargaining rights, has an active staff association which meets regularly and consults management when need arises. The Canadian Public Service Staff Relations Act specifically excludes locally engaged Embassy staff from collective bargaining but the staff association has been found on all sides to provide a comparable mechanism. The elected representatives of the staff association are permitted to meet individually or collectively with staff on Embassy premises and are accorded reasonable time off to do so. With respect to staff engaged on a personal basis by Canadians serving with the Embassy, there are written guidelines which conform with the Code of Conduct and their implementation is monitored by the Ambassador.

3. Migrant Labour

No migrant labour is employed by the current group of Canadian company affiliates.

While not migratory labour in the normal sense, the Canadian Embassy does have a group of three locally engaged employees who travel regularly with the Ambassador to Cape Town for the annual Parliamentary session. They are provided with housing in both Pretoria and Cape Town. The accommodation in Pretoria was renovated and expanded in 1988 while the same is being undertaken in Cape Town during the present fiscal year. All locally engaged staff who travel to Cape Town receive a special family allowance and are granted a family reunification visit when the Parliamentary session is extended beyond six months.

4. Wages

The Canadian Governments's Code of Conduct, besides encouraging equal pay for equal work, urges companies to pay their employees wages which guarantee a standard of living that allows them to live with dignity. This requirement has particular relevance to the minimum wage, i.e. the wage of the lowest paid employee in the company.

The living standards of non-Whites, against which the pay performance of the companies is gauged, are calculated by the University of South Africa (UNISA) and the University of Port Elizabeth (UPE). UNISA's standards are based on semi-annual surveys carried out in 26 urban areas throughout South Africa and take account of the household size, age structure and sex composition in the population groups and areas under study. They include data concerning single and multiple households. For the Minimum Living Level (MLL), UNISA includes in its calculations eleven items: food, clothing, fuel and light, other services, washing and cleaning materials, transport, medical and dental services, education, household equipment replacement, taxes and support of relatives. MLL, as defined by UNISA, reflects: "The minimum financial requirements of members of a household if they are to maintain

their health and have acceptable standards of hygiene and sufficient clothing for their needs. The MLL is the lowest possible sum on which a specific size of household can live in our existing social set up". The UPE equivalent is known as the Household Subsistence Level (HSL) and is calculated in much the same manner as UNISA's MLL.

The Supplemented Living Level (SLL) of UNISA and Household Effective Level (HEL) of UPE make provision for the inclusion of additional items. With respect to UNISA (and UPE is much the same), these include: recreation and entertainment; extra food; additional household equipment; extra transport; additional support, taxes and rent; and contributions to pension, unemployment, medical and burial funds). In UNISA's words; "By present standards some of these items may be regarded as necessities and others as desirable amenities of life. The SLL is not a subsistence budget, nor is it a luxury budget. Perhaps it can best be described as an attempt at determining a modest low level standard of living". Depending on the area involved, SLL and HEL are approximately 25% to 30% higher than MLL and HSL. Given that the latter represent bare subsistence standards of living, foreign firms are encouraged to take as their guideline the SLL or HEL.

The Canadian Code suggests the SLL/HEL as an absolute minimum and urges companies to exceed it and to strive for a minimum rate of pay at least 20% higher or 50% in excess of MLL/HSL. Table VIII indicates the degree of success achieved by Canadian affiliates in meeting the Code of Conduct wage guidelines in 1989.

<u>% By Which Wage Exceeds MLL/HSL</u>	<u>Number of Reporting Affiliates</u>
0 - less	-
1 - 9	-
10 - 19	3
20 - 29	-
30 - 39	-
40 - 49	1
50 and over	4
	<u>8</u>

From the above table it is clear that half the reporting affiliates exceeded the standard set by the Canadian Code of Conduct. One was just under and three have some way to go before reaching the guideline of at least 50% over MLL for the lowest paid personnel. Nevertheless, there has been a steady improvement at the lowest level and this is the first

reporting year in which there have been no companies in the two lowest categories.

With respect to the average wage of all non-White personnel, the picture is better, with all companies exceeding SLL and the suggested level of at least 50% above MLL. The wages of the highest paid non-Whites range between 50% and 966% above MLL, while the average wages for all non-Whites range between 50 and 410% above MLL. Progress has been made in some cases in promoting non-White personnel but it has been slow and irregular, although all companies support and implement the principle of equal pay for equal work.

With one or two exceptions, wage increases for all employees increased at the rate of inflation (15.4%) or better. In most cases an effort was made to close the gap between White and non-White wages by giving somewhat larger annual increases to non-White employees. Table IX illustrates this point.

TABLE IX		
AVERAGE PERCENTAGE PAY INCREASES IN 1989		
Black Employees	Coloured/Asian Employees	White Employees
16.5%	17%	12%

Where trade unions exist, wages are generally negotiated annually. Non unionized affiliates provide annual or semi-annual pay increases. These customarily reflect the cost of living and, where relevant, increases in productivity. Qualifications rather than race are increasingly used as a basis for staffing of and remuneration for positions.

While progress has been made in improving the pay and promotion prospects of non-White personnel, it remains a fact that few of them attain the upper levels of management or high technology positions. For this reason, the remuneration gap between Whites and non-Whites generally remains a wide one.

5. Training and Promotion

The Code of Conduct suggests as a preliminary objective en route to a fair and balanced racial composition of the workforce, the filling of fifty percent of all supervisory and management positions with non-White employees, within a specified period of time. While perceptible progress has been made toward this goal, it has been minimal to date. This is only partially due to racial factors per se but also to the

history of bias in the educational system which places non-Whites at a disadvantage. This has been recognized by the present Government of South Africa and a start has been made through the latest budget toward correcting this situation but there is a long way to go.

As for Canadian affiliates, last year's report outlined the existing situation and this is as valid today as it was then: The extent of training and promotional opportunities generally reflects the size of company and, to a degree, the type of operation. Thus, the larger the company the more extensive the training program offered and the broader the prospects for in-house upward movement. Such firms offer a range of training courses, both internal and external, as well as bursaries and scholarships to technical schools and universities. The philosophy behind such training is both practical and ideological since it results in a more efficient work force and, at the same time fulfills the requirement of equality of opportunity aimed, ultimately, at the achievement of a racially balanced workforce. The smaller companies are limited in terms of resources for training and opportunities for promotion. Nevertheless, they have continued to offer in-house training and, on occasion, support for external study. Such training is offered on a non-racial basis.

6. Fringe Benefits

Companies are encouraged by the Code of Conduct to concern themselves with the living conditions of their non-White employees and their families. To this end, they are expected to provide benefits beyond those required by South African legislation, notably with respect to social protection schemes (e.g. health, accident, pensions, unemployment insurance), education for family members, housing, transportation, legal and recreational needs.

The major companies, given their substantial resources, have more scope to, and do, provide more fringe benefits than the smaller ones. Nevertheless, all, both large and small provide basic benefits but here, again, there is room for improvement.

Social Benefits: The large enterprises provide basic medical, accident, unemployment (state scheme) and pension schemes in a variety of forms. Some are contributory, others fully or partially subsidized. The smaller firms generally operate on an ad hoc basis, assisting when need arises but lacking the formal schemes of the larger companies.

Vacations: All affiliates provide vacations on a non-discriminatory basis.

Housing: Again, the five larger companies offer assistance in one form or another such as subsidized housing or loans for home improvement or acquisition. Generally, where assistance has not been provided it is because affordable housing is available within commuting distance of the workplace. There remains, however, room for improvement.

Transportation: The five larger affiliates all provide some form of assistance. The smaller ones generally offer assistance when overtime work is required but most employees live nearby or use public transport.

Education, Recreation and Health: The larger companies provide a variety of educational, recreational and health assistance to their employees and their families. This includes the construction or adoption of schools and their provision with buildings, equipment, teaching aids, clean water supply etc. Other assistance provided has been in the form of women's programs, transportation and bursaries/scholarships to technical schools and universities.

Community Development: In general, the larger firms have continued to contribute substantially to community projects and programs. They have provided experience and expertise, along with financial assistance toward improvement of the quality of life of non-White workers and their families. Specifically, they have supported community programs designed to promote youth and women's activities, housing and sanitation, water supplies, sports (a stadium), legal aid and business counselling. The smaller companies have continued to support programs and organizations whose objectives include the promotion of Black businesses, child welfare, housing and non-White community betterment.

7. Race Relations

Desegregation of all workplaces, social and recreational facilities has long since been completed by all Canadian affiliates.

8. Encouragement of Black Businesses

Without exception, Canadian affiliates have indicated readiness to conduct business with enterprises of whatever racial background. Six of the eight reporting countries this year made use of Black suppliers and sub-contractors or supported organizations which promote Black business. In the latter category, several supported CABBSA, the Canadian Association for Black Business in South Africa (a Canadian Exporters Association initiative with CIDA funding) and other Black entrepreneurship programs. One has sponsored a small business advice centre with its varied extension program and has actively lobbied against discriminatory legislation and practices. Notable progress has been made in this field though much more remains to be done.

9. Social Justice

Canadian companies and their South African affiliates are urged by the Code of Conduct to use their influence by positive, constructive and legal means to promote the cause of social justice and the peaceful achievement of social and political reforms. Five of the eight reporting firms indicated specific action to promote social justice.

Without exception, all of the affiliates support social justice as a matter of principle and practice it within their own enterprises. As expected, the larger firms with their substantial resources and potential impact on the surrounding society, have been particularly active in this field. Several, both large and small, lend support to a number of organizations which work for social justice, such as Get Ahead Foundation, CABBSA, the South African Institute of Race Relations, the Statement of Principles for South Africa, the South Africa Foundation, the Kwa Natal Indaba, the National Economic Initiative which links White and Black businesses and promotes development of Black leadership. Representations have been made to national and local governments against removal of Black residents from designated White areas and against various manifestations of the Group Areas Act and the Separate Amenities Act.

V COMPANY PERFORMANCE

The Code of Conduct Administrator's terms of reference, inter alia, require from him an annual report on the administration and observation of the Code and, consistent with the purposes and intent of the Code, impartiality and objectivity. In fulfillment of these requirements an attempt is made in this section of the report to assess the degree to which enterprises comply with both the spirit and the letter of the Code.

The method adopted to assess the companies has been to rate them on a scale of 1 to 10 with respect to eight of the nine employment practices dealt with in the Chapter IV. The ninth category, Wages, has been allotted 20 points for rating purposes on the ground that wages are generally considered to be the most important reflection of an employee's status. In South Africa Black workers tend to be the lowest paid. On the foregoing basis, the companies have been placed in one of the categories set out in Table X.

TABLE X	
RATING CATEGORIES	
I - over 80 points	- Fulfills or exceeds all basic requirements. Improvement still possible.
II - 66-80 points	- Fulfills or exceeds most basic requirements. Considerable scope for improvement.
III - 50-65 points	- Fulfills or exceeds some basic requirements. Substantial improvement required.
IV - under 50 points	- Fails to meet many basic requirements. Major effort required to comply with the Code.

In assessing the performance of Canadian companies and their South African affiliates, allowance has been made for the fact that there is less scope for small firms to implement in their entirety the full range of employment practices set out in the Code of Conduct. Account has been taken also of the unique business environment in South Africa and of the competitive conditions that flow from it. While the Canadian Government and its Embassy in South Africa are clearly not businesses in the normal sense, they have been considered and rated as nearly as possible in the same manner as Canadian companies and their affiliates, with due allowance for the different nature of their operations. For Canadian personnel working at the Embassy, there are written guidelines

concerning personally employed domestic staff. These accord with the Code of Conduct and their implementation is monitored by the Ambassador.

The 1989 company ratings are recorded in Table XI.

TABLE XI		
COMPANY ASSESSMENTS		
Canadian Companies	SA Affiliates	Rating
1. Bayer Foreign Investments Ltd.	Six affiliates - see below*	II
2. Bocknek Ltd.	Bocknek (Pty) Ltd.	II
3. Canadian Government	Canadian Embassy SA	I
4. Menora Resources Inc.	Ocean Diamond Mining Ltd.	III
5. QIT-Fer et Titane Inc.	Richards Bay Minerals**	I
6. Sternson Ltd.	Sternson (SA) (Pty) Ltd.	II
7. Unican Security Systems Ltd.	Ilco-Unican (SA) (Pty) Ltd.	II
8. Varity Corporation	Fedmech Holdings Ltd.	II

* Bayer's six affiliates in 1989 were:
 Bayer South Africa (Pty) Ltd.
 Bayer-Miles (Pty) Ltd.
 Chrome Chemicals (South Africa) (Pty) Ltd.
 Haarman & Reimer (SA) (Pty) Ltd.
 Vergenoeg Mining Company (Pty) Ltd.
 (A sixth company, Rubber Chemicals (Pty) Ltd., has been absorbed by Bayer South Africa (Pty) Ltd.)

** Richards Bay Minerals comprises two companies:
 Tisands (Pty) Ltd.
 Richards Bay Iron & Titanium (Pty) Ltd.

With the exception of the Bayer enterprises and Menora/Ocean Diamond Mining Inc., the assessments were awarded on the basis of the completed Standard Reporting Questionnaire, supplemented by information provided by the Canadian companies and their affiliates through meetings, correspondence and telephone contact.

The Bayer group of companies customarily reports to the West German authorities under the European Community Code of Conduct on the ground that the Bayer affiliates in South Africa are controlled by the parent company, Bayer A.G. in Leverkusen, Germany, notwithstanding the fact that they are legal subsidiaries of the Toronto firm, Bayer Foreign Investments Ltd. As in previous years, Bayer provided a copy of its latest report (1989) to the European Code authorities. Their assessment is based upon that report and on calls on management in Toronto and South Africa. For presentational purposes, the ratings of Bayer's five affiliates have been averaged, as both individually and collectively they rated Grade II.

Menora Resources Inc./Ocean Diamond Mining Ltd. have been rated on the basis of discussions with management in Canada and South Africa. This was necessary because the completed questionnaire had not been received before completion of this report.

QIT-Fer et Titane/Richards Bay Minerals have been included because their change of status occurred in mid 1989 and because they both met with the administrator and completed the annual questionnaire. They will in future report only to the British authorities under the European Code of Conduct.

Bocknek Ltd./Bocknek (Pty) Ltd have been included and rated on the basis of contact with management in Canada and completion of the questionnaire. Because they were unknown to the Administrator when he visited South Africa in March 1990, discussions could not be held with management in South Africa.

Unican Security Systems Ltd./ILCO Unican (SA)(Pty) Ltd. have been rated on the basis of discussions in Canada and South Africa and the questionnaire completed by the South Africa affiliate. Management in Montreal declined to fill in the Questionnaire because of disagreement with Canada's policy on South Africa.

Worthy of note is Sternson Ltd./Sternson (SA) (Pty) Ltd's steady progress to Grade II by reason of improvements in the areas of wages, support for Black businesses and social justice.

VI CONCLUDING OBSERVATIONS

The rising hope for political and social reform mentioned in last year's report was given life in September 1989 with the return of the National Party to power and the election of Mr. F.W. de Klerk to the State Presidency. From that watershed to the time of writing there has been a rush of events that South Africans of all races scarcely could have imagined a few months earlier. The release of Nelson Mandela; talks between representatives of the Government and the ANC; the promise to repeal the Separate Amenities Act; the commitment of the Manpower Minister, in consultation with the trade unions (COSATU and NACTU) and the employers' federation (SACCOLA), to amend the Labour Relations Act on an agreed basis; the independence of Namibia; and the virtual collapse of the Homelands policy, have started a process from which there can be no turning back without chaos or civil war which only extremists to the right and left of the political spectrum would welcome.

The initial "talks about talks" in May between the Government and the ANC set in motion efforts on both sides to remove the remaining obstacles to the substantive constitutional negotiations which will be necessary to dismantle apartheid and replace it with representative, democratic, non-racial government. Before negotiations can commence, the Government is demanding an end to the ANC's commitment to armed struggle, while the ANC requires the lifting of the state of emergency, the release of political detainees and the safe return of political exiles. The will to meet these pre-conditions to negotiations seems to exist in both camps but extraneous threats to their achievement are many.

Neither side is totally representative of the constituency for which it claims to speak. The White community is split into roughly two thirds in favour of reform and one third against it. The latter group ranges between those who would oppose reform by constitutional means to those who already are threatening the use of arms to maintain White control. On the non-White side, to the left of the ANC, are a number of organizations which are at odds in varying degrees with the ANC (PAC, AZAPO, BCM, Inkatha). The most radical of these, the PAC, opposes negotiation and simply demands a direct turnover of power from White to Black hands. This approach is increasingly attractive, especially to the young and impatient. The ANC is far from unanimous on the way ahead. Its leadership is not monolithic. There is rivalry between the exiled leaders and those who worked for the cause within South Africa for more than a quarter of a century (UDF, MDM, COSATU etc.). The graduates of Robben Island have yet to consolidate their positions within the ANC. The rank and file are restless, the young being particularly impatient and radical and ready to bolt if negotiations are slow in coming or excessively drawn out when they do begin. Then there are the Zulus, some six million strong, who themselves are divided

between the mostly urbanized supporters of the UDF and COSATU and the generally rural supporters of Inkatha and its leader, Chief Mangosuthu Buthelezi. The latter have basic differences with the ANC and these must be resolved in the negotiating process.

Ironically, the hopes and fears engendered by the release of Nelson Mandela and by the promise of reform, have created great expectations among non-Whites and unleashed unruly forces to the left and right which have raised the level of unrest and violence throughout South Africa. Mr. de Klerk and his Government believe they have demonstrated their reformist intentions sufficiently to attract international support to the extent of easing sanctions and extending badly needed investment capital. The ANC, with its historical legacy of mistrust, continues to urge the international community to maintain sanctions until such time as the legislative and constitutional underpinnings of apartheid have been demolished. To date the international response, apart from Britain's unilateral lifting of its voluntary investment prohibition, has been cautious pending further developments in South Africa.

For White South Africans, their world has been shaken by revolutionary change but for non-White South Africans there has been to date only the promise of reform while the substance of apartheid remains intact. In the resultant situation of expectation, fear, hope and violence, the South African economy seems destined to plod along with little or no growth in sight. In the absence of general international approval, the influx of investment capital, so badly needed for economic expansion and job creation, will remain for the time being beyond reach.

For Canadian and other foreign firms operating in South Africa, the immediate future remains problematical and disinvestment of South African interests will likely continue, albeit at a reduced rate. Most of those enterprises that have held on through difficult times seem likely to continue to do so, encouraged by the promise of reform and hope for relief from sanctions now looming over the horizon. The South African Government is committed to restructuring the economy, with emphasis on curbing inflation, making good skilled labour shortages and raising productivity of labour and capital, within a market economy driven by private initiative. Concomitantly, a quick start has been promised with respect to socio-economic development aimed at making up the arrears in housing, education and training, literacy and basic health needs, all within a framework of economic stability. At the same time, the ANC has continued to speak in socialist terms and, specifically, of the nationalization of industry, to the alarm of White businessmen and the Johannesburg Stock Exchange.

Among the differences between Black and White South Africans, the disagreement over sanctions and disinvestment remains significant. By and large, with the exception of Chief Mangosuthu Buthelezi/Inkatha, Black South Africans favour the maintenance of sanctions and disinvestment until the dismantlement of apartheid is irreversible, while all but a handful of White South Africans believe the time has come to scrap these forms of pressure on the South African Government.

Most Whites opposed such policies from the beginning, believing they reflected unacceptable foreign interference and, in any case, hurt the non-Whites they were meant to help. But, now, even Whites who had accepted them as necessary evils, believe Mr. de Klerk has set in motion the process of dismantling apartheid from which there can be no turning back. A small minority of Whites continue to argue the necessity of maintaining the pressure from sanctions and disinvestment until the legislative and constitutional bases of apartheid have been destroyed.

Even Black support for sanctions and disinvestment must, to some extent, be qualified. While Black anti-apartheid organizations and their spokesmen are strong proponents of such policies, the rank and file are often ambivalent, supporting them in principle while opposing them if they represent a threat to their jobs. Moreover, Black organizations do not speak with one voice since Chief Buthelezi and Inkatha have never favoured sanctions or disinvestment.

As for the effectiveness of sanctions and disinvestment, there are few South Africans of any race who do not believe they have been harmful to the South African economy. Most grant they have played a significant role in persuading the Government to seek a negotiated end to apartheid and a just constitutional basis for governing South Africa in the future.

The balance of opinion in South Africa with respect to Codes of Conduct and their usefulness is less clear. The trade unions continue to believe that, while they may have been useful initially, they are less so now. For the most part they are regarded as redundant, given the growth and strength of trade unions in recent years. The trade unions claim to be able to do everything the Codes are designed to do. Disinterested opinion, however, suggests the Codes are particularly valuable in promoting social programs of value to working families and their communities. Their achievements include desegregation of many workplaces, improvement of wages and general working conditions and useful pressure toward equality, training and advancement for non-White workers. They are also generally credited with obliging indigenous South African enterprises to raise their employment standards.

Where success is less evident is in advancement to senior management and technical levels; in the employment of women who generally remain in the lowest ranks of unskilled labour; and in providing a range of fringe benefits beyond current legal requirements. Further, with a few exceptions, companies have been reluctant to take a stand against apartheid beyond company premises and only a few go beyond being prepared to support Black businesses to actually employing them as suppliers or sub-contractors.

Companies generally find the process of implementing a Code onerous but cooperation in doing so generally has been excellent. Given the sluggish state of the South African economy and competitive market conditions, there is clearly a limit beyond which they are unable to go under present conditions. Most, however, are cautiously optimistic

regarding the future and are prepared, as they prosper, to continue to move toward or beyond the employment standards set by the Codes. Many of the larger enterprises are already expending considerable sums and efforts in promoting the well being of workers and their families. Much, however, remains to be done before the wide gaps between White and non-White personnel are closed. To this end much more must be done by the state in eradicating poverty and in providing education and training of an order and magnitude necessary to meet South Africa's future needs. Codes and their participating companies for the time being still have a useful role to play in filling the gaps untouched by either the state or the trade unions.

ANNEXES

Code AdministratorTerms of Reference

Under the authority of the Secretary of State for External Affairs:

- i) to maintain and update annually lists of those companies to which the Code of Conduct Concerning the Employment Practices of Canadian Companies Operating in South Africa applies or may apply; in this respect, to consult as necessary such private-sector organizations as the Canadian Business and Industry Advisory Council, other private, commercial, non-governmental or academic organizations or individuals likely to be of assistance, and appropriate departments of the Government of Canada;
- ii) to maintain and, as necessary, update the standard format for reports under the Code, in consultation with interested companies, non-governmental organizations, and appropriate departments of the Government of Canada;
- iii) to draw the Code annually to the attention of companies to which it does or may apply; to make them aware of the standard reporting format; and to solicit annual public reports from those companies with respect to their compliance with the Code;
- iv) to collate the reports received from the companies concerned; to maintain complete and accurate records of official consultations, correspondence and transactions undertaken in the execution of the terms of reference;
- v) to prepare an annual report on the administration and observance of the Code for the Secretary of State for External Affairs;
- vi) to make such recommendations to the Secretary of State for External Affairs regarding the content and administration of the Code as the Administrator deems appropriate; and,
- vii) to act in an impartial and objective manner consistent with the purposes and intent of the Code.

Code of Conduct Concerning the
Employment Practices of Canadian Companies
Operating in South Africa

This Code of Conduct is addressed to all Canadian companies which have subsidiaries, affiliates or representative establishments in South Africa. Its aim, as one of a number of Canadian Government measures, is to make a contribution towards abolishing apartheid.

There are now numerous Codes of Conduct for businesses operating in South Africa. They have been promulgated by domestic South African organizations, by individual South African and foreign companies, by a number of countries (the European Community) and by individual countries on government initiative (Canada and recently Australia and the United States) or on a non-governmental basis (the Sullivan System in the U.S.A.). The text of the Canadian Code of Conduct which was first issued in April 1978, has been substantially revised in the light of developments in South Africa and of the need to improve the Code's administration and provide more adequate guidance to Canadian Companies. The revised text has, in particular, taken into account the experience of the European Community countries and of the Sullivan System with their Codes and the importance of demonstrating the solidarity of international opposition to the apartheid system.

With the aim of combatting racial discrimination in mind, the Canadian Government strongly hopes that every Canadian company active in South Africa will implement employment practices which are based on the principle of equal treatment for all its employees, are consistent with the general economic welfare of all people in South Africa and will help bring about the conditions necessary for acceptance of the well-established standards of human rights approved by the International Labour Organization and by the International Organization of Employers. While these objectives are applicable to all employees they have particular relevance to the employment conditions of black workers and to the urgency which should be attached to the improvement of their working conditions and quality of life generally.

Accordingly, it is the view of the Canadian Government that employment practices and policies related to the improvement of the quality of life of black employees and their families should be guided by the following conditions, principles and objectives.

1. General Working Condition

In general, companies should regard the constant improvement of the overall work situation of black employees as an objective having a high priority. They should ensure that employment practices applicable to any group of workers are equally applicable to all workers.

2. Collective Bargaining

- (a) Companies should ensure that their employees are free to organize collective bargaining units of their own choosing that can effectively represent them, and should undertake to engage in collective bargaining with such units in accordance with internationally-accepted principles.
- (b) Companies, recognizing that the South African Labour Relations Act and Labour Law is now free of provisions that discriminate on the basis of race, should pay particular attention to black trade unions and ensure that black employees are free to form or join the trade union of their choice. They should be prepared to sign recognition agreements with representative black trade unions within the company and allow collective bargaining, including the signing of collective agreements. Employers should regularly and unequivocally inform their employees that consultations and collective bargaining with organizations which are freely elected and representative of employees are part of company policy.
- (c) Companies should as a matter of course allow trade union officials to explain to employees the aims of trade unions and the advantages of membership, to disseminate trade union information material and display trade union notices on the company's premises, to have reasonable time off to carry out their union duties without loss of pay and to organize meetings.
- (d) In companies where works or liaison committees already operate, trade union officials should have representative status on these bodies if employees so wish. The existence of these types of committees should not prejudice the development or status of trade unions or of their representatives.

- (e) Companies should do everything possible to establish a climate of confidence in their relations with their employees. In this connection it is important that each company ensure that its employees be familiar with the Canadian Code of Conduct and that at regular intervals they can see or have the text of the Code read to them in a language they understand. The company should be prepared to inform its employees what it is doing to implement the Code and should review and discuss with them or their representatives its annual report on the implementation of the Code.

3. Migrant Labour

- (a) The policy of apartheid leads to the use of migrant labour, which robs the individual of the basic freedom to seek and obtain the job of his choice. It also causes grave social and family problems.
- (b) Employers have the social responsibility to contribute towards ensuring freedom of movement for black workers and giving them the opportunity to lead a family life.
- (c) Employers should endeavour to alleviate the effects of existing regulations, in particular by facilitating the regular renewal of contracts of employment and making it easier for the families of employees to settle near their workplace.

4. Wage and Pay Structures

- (a) Companies should formulate specific guidelines aimed at improving their terms of employment and at implementing the principle of "equal pay for equal work". The staffing of and remuneration for a position should be based on the qualifications of an individual and not on his or her racial origin. The same pay scales should be applied to the same job.
- (b) Companies should also provide remuneration sufficient to assist their black employees in particular to achieve a standard of living significantly above the minimum level required to meet their basic needs. In this context they should refer to the data on living costs regularly collected and analyzed by the University of South

Africa (UNISA) and the University of Port Elizabeth (UPE). (See appendix for further details.) Pay based on the "Supplemented Living Level" for an average-sized family must be considered as the absolute minimum necessary and the Canadian Government strongly urges companies, taking into account the value of work performed in particular industries, to introduce minimum wages which substantially exceed this level at an early stage of their programmes for improving the terms of employment of their black employees.

- (c) In their continuing review of pay and wage structures, companies should take particular note of the impact of inflation. Annual wage increases should offset the impact of this factor but, if the desired improvement in real wages is to be achieved, it cannot be the only factor to be reflected in the determination of wage increases.

5. Training and Promotion

- (a) The principle of equal pay for equal work would not mean much if black employees were kept in inferior jobs. Implementing the principle of equality of opportunity must also be given a high priority. Employers should therefore draw up an appropriate range of training schemes of a suitable standard to provide training for their black employees.
- (b) Companies should ensure that supervisory and management jobs and those requiring high technical qualifications are open to their black employees.

The aim should be, as a preliminary objective only towards the ultimate goal of a fair and balanced racial composition of the workforce, to fill fifty percent of all supervisory and management positions with employees other than those designated as white persons within a period of time which companies should clearly specify in their employment plans and development programmes.

- (c) Companies should, if possible, organize occupational training programmes for their black employees and help them to take advantage of other educational and occupational training programmes outside their places of work. Where required, companies should set up or use educational facilities to enable their black employees to

benefit from more specialized training, and generally should support them and members of their families in their right of access to equal, integrated and universal educational facilities and opportunities.

- (d) Companies should make every effort to eliminate in practice any de facto restrictions based on custom on apprenticeships for black employees. They should ensure that employees of different racial groups can take part in training programmes without any form of segregation.
- (e) In general, whether it is a matter of an imbalance in the racial composition of a company's workforce and staff or of such an imbalance at any of the different levels of management and workforce, companies should, in their forward planning, treat the need to correct this situation as a matter of some urgency.

6. Fringe Benefits

- (a) In view of their social responsibilities, companies should concern themselves with the living conditions of their black employees and their families.
- (b) For this purpose, company funds could be set aside to provide benefits over and above those currently provided according to South African legislation:
 - providing complete social protection schemes for employees and their families (health, accident and unemployment insurance and old age pensions);
 - ensuring that their employees and their families have the benefit of adequate medical care;
 - assisting in the education of members of their families;
 - helping them to buy their own housing or to obtain accommodation which enables all workers to live with their families near their workplace;
 - providing transport from home to work and back with particular attention to alleviating the difficulties facing those employees who are obliged to commute some distance to the workplace;

- proving their employees with assistance in problems they encounter with the authorities over their movement from one place to another, their choice of residence and other employment;
- providing leisure facilities.
- (c) Companies should support community projects which aim to improve the quality of life of the black communities from which they draw their staff.

7. Race Relations and Desegregation

- (a) Where this has not already been completely achieved, employers should do everything possible to abolish any practice of segregation, notably at the workplace, in canteens, in education and training and in sports activities. They should also ensure equal working conditions for all their staff.
- (b) Along with the advancement of their black employees, companies should directly support inter-staff contacts, and help employees from different racial groups to get to know each other better and integrate more fully.
- (c) Companies should encourage sporting activities in which employees from different racial groups take part in mixed teams in mixed competitions.

8. Encouragement of Black Businesses

As far as they are able, companies should, in the framework of their activities, encourage the setting up and expansion of black businesses by contributing their expertise, counselling and advice, by sub-contracting, by providing assistance for their black employees to set up their own businesses and by preferential, priority treatment in customer-supplier relations.

9. Social Justice

By positive, constructive and legal means and approaches and in cooperation with other foreign companies and with their South African partners, Canadian companies should use whatever channels of influence are available to them to promote the cause of social justice and the peaceful achievement of necessary social and political changes and reforms.

The revised procedure establishes a reporting system on the adherence of companies to the Code of Conduct which is reviewed on an annual basis by an impartial and independent Administrator. In conformity with a standard reporting format issued to them for this purpose, all Canadian companies should submit to the Administrator annual public reports in sufficient detail to permit assessment of their progress in realizing the objectives of the Code of Conduct. On the basis of his review and collation of the responses of the companies, the Administrator submits to the Secretary of State for External Affairs an annual report which is subsequently tabled in Parliament.

Although the Code of Conduct is addressed primarily to the employment practices of Canadian companies in South Africa, there may be other Canadian establishments, as is the case with the Canadian Embassy in Pretoria, which employ people locally in South Africa and whose employment practices, accordingly, should conform to the guidelines set out in the Code. The Canadian Government invites any Canadian public or private organization, temporarily or permanently located in South Africa and employing local labour there, to comply voluntarily with the Code of Conduct.

The Canadian Government will continue to follow closely developments in South Africa and the efforts of Canadian companies in regard to the Code of Conduct. Where the process of change and reform make them necessary and appropriate, further amendments to the provisions of the Code will be introduced.

APPENDIX CODE OF CONDUCT

ADMINISTRATIVE PROCEDURES AND GUIDANCE

Reporting System

Companies are asked to provide their annual public reports relating to the Code of Conduct in the standard reporting format which will be issued to them by the Administrator.

The annual report should state the facts as of December 31 each year and in particular should bring out clearly the progress achieved in the implementation of the various sections of the Code. Especially where they are considered to represent a significant contribution to the advancement and well-being of the black employees and their families and to the communities in which they live, companies should feel free to describe their achievements in some detail citing, wherever relevant, the financial provision for them in company budgets.

Companies should submit their annual reports to the Administrator by March 31 each year.

The Administrator will review and collate company reports and submit his annual report to the Secretary of State for External Affairs by May 31 each year. It will shortly thereafter be tabled in Parliament.

Members of the public who may wish to obtain a copy of any company annual report relating to the Code of Conduct will be informed that they should apply directly to the company concerned.

Collective Bargaining

This section of the Code does not ask companies to promote, set up, or do the job of trade unions. It does, however, ask companies to "ensure that their employees are free to organize collective bargaining units of their own choosing". A feature of the labour relations scene in recent years has been the involvement of black workers in the statutory industrial relations system and the emergence and growing influence of independent trade unions representing black employees. The Code states that companies should pay particular attention to such unions and be prepared to conclude recognition agreements with them. This should not, of course, be at the expense of the employees' freedom of choice.

Section 2(a) of the Code asks companies to allow collective bargaining "in accordance with internationally accepted principles". These are the well-established standards in the field of human rights approved by the International Labour Organization. The Declaration adopted unanimously in 1973 by the Executive Committee of the International Labour Organization of Employers appeals "to all employers in South Africa to take urgent measures to promote the conditions necessary for acceptance" of these standards. The suggestions made in Section 2(b) and (d) of the Code are examples of action which employers can take to ensure that black employees can exercise freedom of choice and of association. Other steps which employers can take include an understanding that employees will not be victimized on account of trade union membership or for participation in trade union affairs.

Minimum Wage

The improvement of the wages of black employees is an important issue, especially in respect of the minimum wage, that is, the wage of the lowest-paid employee in the company. Employees should be guaranteed a standard of living that will allow them some dignity. Thus companies are asked to report their minimum living levels.

The standards used based on a family of five or six as an average size of an African family are the monthly Minimum Living Level (MLL) established by the University of South Africa (UNISA), and the monthly Household Subsistence Level (HSL) established by the University of Port Elizabeth (UPE). These standards are calculated from statistical studies, periodically updated, carried out by the two universities at various locations, including separate surveys for rural areas. For example, as specified by UNISA in a 1985 study, "The Minimum Living Level (MLL) denotes the minimum financial requirements of members of a household if they are to maintain their health and have acceptable standards of hygiene and sufficient clothing for their needs."

The MLL or HSL, represented purely a subsistence budget, cannot, however, be regarded as a satisfactory standard and companies should instead use the Supplemented Living Level (SLL) or the Household Effective Level (HEL) recommended respectively by UNISA and UPE as the minimum guideline. The (SLL) as described by UNISA is not a subsistence budget, nor is it a luxury level. At best, it is an attempt at determining a modest low-level standard of living. It should, as the Code stresses, be regarded as an absolute minimum, and not as a target.

Minimum pay conforming to the SLL would be roughly 30% higher than a rate based on MLL. The Canadian Government nevertheless strongly urges companies to strive for a minimum rate of pay at least 50% in excess of the MLL within the shortest possible time frame.

In view of the special circumstances encountered in such areas, companies operating in defined rural areas should pay at least the MLL or HSL and achieve the SLL or HEL within 5 years by regular annual pay increases. The company policy with respect to such a time table should be submitted in writing to the Administrator and reviewed, as to results, in the company's annual report.

