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**ASPECTS OF THE IMPACT OF APARTHEID ON COMMERCE AND
INDUSTRY IN THE WESTERN CAPE, 1960 TO 1990**

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**A dissertation submitted in fulfilment of the requirements for the award of
the degree of Master of Arts in Historical Studies**

**Faculty of Humanities
University of Cape Town
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COMPULSORY DECLARATION

**This work has not been previously submitted in whole, or in part, for the
award of any degree. It is my own work. Each significant contribution to, and
quotation from the work of others has been attributed, and has been cited
and referenced.**

Signed by candidate

Signature

5 May 2008
Date

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ABSTRACT

This is a study of the relationship between the apartheid government and the commerce and industry in the Western Cape, South Africa, during the period 1960-1990. In examining the impact of apartheid on business in the Western Cape reference has been made to local and overseas literature, both books and journal articles, government publications, and the minutes and correspondence of the Cape Town Chamber of Commerce, Cape Chamber of Industries and other business organisations. Interviews were also conducted with businessmen and relevant academics who occupied prominent positions in the period under review. In addition a journalist who occupied senior editorial positions was also interviewed.

The thesis considers the economic performance of South Africa, from the substantial and sustained growth from 1960 to 1974, followed by a period when the South African economy weakened. The Western Cape economy was not reliant on mining, but had a more stable economy relying on agriculture, property and financial services, and later in the period developed high-tech service industries.

Business in South Africa suffered punitive rates of tax to pay for the country's apartheid policies. The establishment of the Bantustans as a homeland for the black ethnic groups was a cornerstone of the National Party policy and the cost burden was enormous with the provision of all the trappings of full nationhood. The job reservation policies, which reserved skilled occupations created a skill shortage in the country and towards the end of the period by necessity the policy 'frayed at the edges'. Western Cape business also suffered the impact of the coloured labour preference policy, which was designed to prevent the movement of blacks to the Western Cape. Business in the area needed blacks for work which was not attractive to coloureds. The Group Areas Act restricted Western Cape businesses from operating

throughout the country. Decentralization Benefits were granted to companies who opened businesses in Bantustan areas, but few such benefits accrued to Western Cape businesses. Civil disturbances created operational problems for Western Cape business, although the disruptions were not as severe as in the rest of the country. The thesis traces the history of sanctions and boycotts against South Africa which increased from 1984, and in 1985 United States banks refused to roll over South African loans. The sanctions affected air, maritime links and trade. The Western Cape tourist industry was severely affected, tourists did not come to South Africa because of fear or for moral reasons.

The Chambers of Commerce and Industry in the Western Cape were concerned as to the impact of apartheid and raised their concerns with government over the years and had some success in alleviating the impact of apartheid on their businesses. The Afrikaner business community in the Western Cape benefited from the patronage they received from the government. SANLAM, the insurance conglomerate, and Rembrandt, the tobacco group showed impressive growth. The Afrikaner became urbanised over the period and Afrikaner business was more and more critical of government policies in the 1980s. The Truth and Reconciliation Commission in its report said that business was central to the economy that sustained the South African state in the apartheid years.

Overall, the review of the impact of apartheid on business in the Western Cape gives mixed signals. Apartheid restricted the economic development of the area, but on the other hand certain businesses prospered in the period, particularly Afrikaner business.

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CHAPTER 1

'The journey between 1960 and 1994 was a long and terrible one, wasteful of human life and of human potential. Yet, it was a path that everyone travelled'.¹

INTRODUCTION

The major force in the South African economy between the 1930s and the early 1970s was the mining sector, which was absent from the Western Cape. In the view of many commentators the Western Cape was a quiet economic backwater, but others refer to the more stable pattern of economic growth in the Western Cape, which helped the region to improve its position during recessions.² Many commentators have taken a wide-brush view of the effects of apartheid,³ but the impact on business differed from area to area and even more so between the Western Cape and the rest of the country. There is extensive literature on the relationship between business and apartheid, but this concentrated on the position in the former Transvaal, particularly relating to the mining and the agricultural industry in that area.⁴ In contrast this thesis deals with the relationship between apartheid and business in the Western Cape from 1960 to 1990. Whilst this thesis only looks at the Western Cape, many of the effects of apartheid on business in the Western Cape also applied to other parts of the country during the period under review. For the purposes of this thesis, the Western Cape comprises Cape Town and the adjoining industrial and commercial areas, but does not include other areas which are part of the present Cape Province, but are not adjoining Cape Town. A

¹ Truth and Reconciliation Commission of South Africa Report, Vol. Four, p.4.

² D.H.M. Bridgman, I. Palmer and W.H. Thomas (eds), South Africa's Leading Edge?, pp.42-43.

³ The first official use of the term 'apartheid', within the economic movement was in 1943 in an editorial in the 'Volkshandel', D. O'Meara, 'Volks-kapitalisme,' p.167.

⁴ E.G. Davies, Capital, State and White Labour in South Africa, 1900-1960.

H. Wolpe, 'Capitalism and cheap labour-power in South Africa: From segregation to apartheid,' Economy & Society, 1(4) 1972.

restricted examination of the topic will make possible a more in-depth examination of a number of factors. In addition, in order to keep the thesis within reasonable bounds, it only considers the impact on business, but obviously what affects business impacts on the whole community. The impact of apartheid on business is of particular interest as much criticism has been levelled at business for not standing up to the Nationalist government with more vigour and indeed business is accused of taking advantage of the system in terms of specific developmental incentives and through the disciplining of labour. The Truth and Reconciliation Commission was critical of business's role in apartheid South Africa and found that: 'Business was central to the economy that sustained the South African state during the apartheid years'.⁵ In democratic South Africa there have been a number of calls for business to pay reparations for the benefits they received under apartheid. Many businesses suffered under apartheid, but others, especially Afrikaner business and agriculture, benefited. It is necessary to portray a balanced view.

1960 was a watershed year in South Africa as it was the year of the Sharpeville massacre, followed by the banning of the African National Congress (ANC) and the Pan African Congress (PAC). In 1961 South Africa left the Commonwealth, possibly with some reluctance, in response to criticism in the Commonwealth of the apartheid regime. This brought with it the removal of the benefits of the Commonwealth trade preference, which had had a particular influence on the Western Cape in the light of the fact that the majority of the Cape's agricultural exports went to Britain.

Whilst this thesis does not set out to give a detailed economic review of South Africa from 1960 onwards, it is necessary to have a general view of the progress or decline in the South African economy over the period in order to assess whether changes in the

⁵ Truth and Reconciliation Commission, Vol. Four, p.58.

economy of the Western Cape followed national trends. Furthermore, one has to have an appreciation of the world economy to gauge to what extent the South African economy was influenced by world economic trends.

It is also necessary to analyse the various components of Western Cape business, including the processing of agricultural products such as fruit and wine. Against this background, one can examine what happened to the Western Cape business over the period assessing whether the deterioration or improvement in the economy in this area was due to apartheid or other factors, such as global or national economic trends.

This thesis will consider the following factors which impacted adversely on Western Cape business:

The high level of direct and indirect taxation, caused by the levels of spending on the military and police and the cost of government's Bantustan and decentralisation policies;

Job reservation, restricting certain occupations to whites;

The Group Areas Act, which restricted the operation of business to certain racially demarcated areas;

The coloured labour preference policy in the Western Cape;

The decentralisation of industries to the Bantustans and adjacent areas and the imposition of restrictions on the employment of black labour in terms of the Physical Planning and Utilisation of Resources Act;

The negative impact of government policies on tourism;

The effect of trade sanctions, consumer boycotts and overseas trade union activity on exports;

Civil disturbances and their impact on business;

and Military conscription with its adverse effect on the availability of skilled white labour.

The thesis also explores the beneficial effects of apartheid on business:

The protection of industry by import control, tariff protection and tax concessions, which helped industrialists;

Some businesses benefited from the tough attitude of government to labour disturbances;

Many South African businesses profited from the large government expenditure on infrastructure;

The government's protection policy benefited many businesses, but was not as effective as it might have been, as the assistance provided by import control, the tax system and tariff protection was ill-directed; businesses were assisted which were not economically viable without government's assistance, and their products were expensive and not internationally competitive.

This thesis has been based on the examination of both primary and secondary documentation, the primary being government reports and White Papers etc., records of meetings and other documentation of the Cape Town Chamber of Commerce and Cape Chamber of Industries and other employer bodies and archival records of SANLAM, KWV and other bodies, the secondary documentation covered a wide range of local and overseas publications, including the history of a number of Western Cape companies. The research was supplemented by interviews with prominent Western Cape businessmen and academics.

(a) SOUTH AFRICAN ECONOMY

The South African economy in the 1950s was reliant on foreign capital inflows for investment, to strengthen the balance of payments and to pay for imported capital goods and machinery. When sentiment changed against South Africa in the 1960s, capital was taken out of the country, the balance of payments went into deficit, overall confidence fell and the economy slowed down. Government then introduced strict import control and policies to reduce capital outflows with political moves to suppress political dissension. The result of these actions, combined with the 'long boom' in the Western world, led to an era of sustained unparalleled growth in the South African economy from 1960 to 1974. While the implementation of apartheid and the Sharpeville massacre drew criticism from the international community, the financial and commercial opportunities were attractive to international investors and overseas investments flowed in. During this period the state was able to carry out its Bantustan policy, raise defence spending and control mass resistance. As Feinstein comments: 'In these decades there was thus no obvious indication of any incompatibility between satisfactory growth and the traditional character of the South African socioeconomic system'.⁶ Dr. Verwoerd, the Prime Minister could say in 1960: 'Far from bringing about economic stagnation, apartheid is the fountain-head of the economic prosperity of South Africa'.⁷ The government at that time was convinced that South Africa could enjoy economic growth and prosperity, while maintaining white supremacy and racial separation.⁸ Hans Middlemann, a director of Western Cape and national companies, said in 1976 that there were three major economic events that disguised the reality of the situation in South Africa in the 30 years up to 1976. The first was the increased

⁶ C.H. Feinstein, *An Economic History of South Africa*, p.145.

⁷ *Ibid*, p.161.

⁸ *Ibid*, p.162.

earnings from gold production following on the discovery and development of the Free State and Far West Rand goldfields. This substantially increased the amount of gold produced, while later there was the extremely large increase in the international price of gold, which also increased South Africa's wealth. The second major event was the utilisation of this augmented wealth to substantially develop the country's natural and particularly its human resources. The third event was the significant contribution made by the brilliant Afrikaner industrialists, bankers and businessmen, together with the rank and file of the Afrikaner population, to the South African economy. They broadened the base of our economic development which previously was mainly a British initiative. In Middleman's words, 'The subsequent severance of Commonwealth ties put the final seal on these achievements.'⁹

From the 1920s till the end of apartheid in the 1990s, South Africa's industrial policy focussed on import substitution, rather than on export promotion. An import substitution programme is common in countries with mineral resources. It arose from a concern to provide jobs to solve the *Poor White Problem*.¹⁰ There was also a desire to replace imports needed in the mining industry. With the intensification of apartheid and rising international isolation, there was a stronger emphasis on heavy industry, synfuels, and the defence industry. In view of the importance of the mining industry, the bulk of the investment went into capital intensive resource-based projects in basic chemicals and minerals. There was limited use of sub-contractors, which precluded small and medium sized enterprises (SMME's) in acquiring skills. The South African domestic market was small, with a modest-sized economy and poor distribution of income.

Import substitution policies were exhausted by the end of the 1970s. These policies had

⁹ H.W. Middlemann, 'Integration must be Acknowledged', *Cape Times*, 26.10.1976, p.9.

¹⁰ The 'Poor White Problem' was the large scale unemployment of whites, particularly Afrikaners, which was a problem which stretched back to the 19th century, but came to the fore following the great depression of the 1930s.

led to low productivity, and over-concentration of the economy. Apartheid laws greatly limited Afrikaner entrepreneurship.¹¹ In the apartheid years controls were placed on industrial expansion in metropolitan areas. The business community protested and the report of the Riekert Commission in 1979 led to the softening of the controls on metropolitan industrialists and increased the number of decentralisation areas. In 1982 a package of policy reforms led to direct controls on industrial growth in urban areas being replaced by disincentives: reduction of housing and transport incentives as a means of promoting decentralisation. Most of the decentralisation zones were not in the Western Cape, but a decentralisation zone was set up at Atlantis in the Western Cape. These decentralisation zones were generally unsuccessful.¹²

The early positive attitude of Afrikaner business to the government's policies was emphasised by Dr. C.R.Louw, the chairman of SANLAM, the large Afrikaner insurance and financial group. He said in his chairman's address to the 1962 annual general meeting of SANLAM that, notwithstanding the attacks from within and without South Africa, the economy had grown remarkably. The country's gold and foreign reserves had also increased. He commented that of the 61 companies that SANLAM invested in, 46 had shown an increase in profits, whilst the profits of 15 had declined for the year ending 30 June 1961. Calculated on the shareholders' interest in these companies during the same period, 33 companies reflected an increase, whilst 28 showed a decrease. This was remarkable in the light of what had occurred in South Africa: a referendum on the republican status; resignation from the Commonwealth with the loss of preferential treatment for its exports to Britain; and racial unrest. In addition there was the drop in gold and foreign reserves, following on disinvestment by foreigners. Despite all these negative factors, in the view of Dr.

¹¹ M. Mayer and M. Altman, 'South Africa's Economic Trajectory,' pp.33-56.

¹² D. Dewar, A. Todes and V. Watson, 'Industrial Decentralisation Policy in South Africa,' pp.363-376.

Louw, there was nevertheless stability in political and economic spheres.¹³ In contrast to Dr. Louw's views, Middlemann in an address to the annual general meeting of the Cape Town Chamber of Commerce on 24 May 1960, said that there was the realisation that the policy of increasingly compulsory racial separation in the economic sphere had failed. It had not in fact, separated the races; had not resulted in harmonious social relations; had antagonised our Commonwealth friends, and had led to the economy of the country being placed in jeopardy. Secondly he said that the object of separating the races in South Africa was not capable of realisation. In his words: 'It cannot stand the tests of the map and of the financial and physical measures that would be required for its full implementation'. He also said that South Africa was a nation of people, different in origin and development and cannot and should not be divided, and should be developed as a single economic unit.¹⁴ In November 1962 he said that the theory was that there were too many blacks in the Western Cape – 130000 of them, which the government wanted to return to the Bantustans. He was of the view that what the Cape should look forward to was job opportunities for those to be repatriated and 130000 more.¹⁵

Middleman's forebodings about where South Africa was going were borne out by subsequent developments. Four events between 1973 and 1976 created a security crisis in South Africa that threatened what Terblanche (as quoted by Maree) calls: 'accumulative and legitimate aims of the white hegemonic order these were the unlawful strikes by black trade unions in Durban region in 1973, which forced concessions from many affected companies¹⁶; the Oil Producing Export Countries

¹³ C.R. Louw, Chairman's Address to Annual General Meeting, SANLAM, 1962, pp.1-4.

¹⁴ Middlemann, Address to Annual General Meeting of the Cape Town Chamber of Commerce on 24.5.1960, pp.2-4.

¹⁵ Middlemann, Address to the Canadian-South African Business Men's Club, November 1962, pp.3-6.

¹⁶ J. Maree, 'An Analysis of the Trade Unions in South Africa in the 1970s,' p.115.

(OPEC) oil crisis in 1973; the *coup d'état* in Lisbon in April 1974 that resulted in the abortive invasion of Angola by South Africa in 1975; and the Soweto unrest of June 1976. The increased security costs had serious implications for agriculture, as this was the cause of the reduction in the budget for the Department of Agriculture from 1.5% to only .6% of Gross Domestic Product, farmers getting a smaller and smaller proportion of available funds. In addition an increasing part of this department's budget was allocated to the Bantustans.¹⁷ From 1976 onwards the economy weakened following the slump in the world economy, the fall in the price of gold and in particular the rise in the price of oil. This recession led to job losses and a rise in inflation. Conditions were ripe for the outbreak of black resistance, which occurred in 1976. Capital fled the country, the talk was of sanctions and disinvestment and the country suffered a balance of payments crisis. A report circulated at the United Nations that the lack of overseas investor confidence in South Africa was indicated by the fact that overseas firms who normally reinvested more than 60% of their earnings in South Africa were now only reinvesting 30%.¹⁸ It took a long time for the resulting slump to end. There was a boom in the period from 1979 to 1981, following on a soaring gold price and renewed economic growth in the Western world. This was followed after 1982 by a further slump, with a surge in black political resistance.¹⁹ In the view of Heintz, political instability, independent of other variables, was the primary cause of the crisis of the 1970s and 1980s.²⁰ The agricultural sector was affected by policy changes in the 1980s, which were necessitated by the economic position; firstly the financial sector was liberalised and the liquid asset requirements

¹⁷ N. Vink, Macroeconomic and Sector Policy Changes in South African Agriculture, 1996-2002, p.18.

¹⁸ South African Institute of Race Relations, A Survey of Race Relations 1978, p.139.

¹⁹ T.C. Moll, 'Possibly the Best Lager in the World: Record of the South African Economy,' in J.D. Brewer (ed), pp.136-139.

²⁰ J. Heintz, 'Political Conflict and the Social Structure for Accumulation,' pp.319-326.

of the banking sector were changed, making it impossible for the Land Bank to continue to subsidise interest rates on farmers' borrowings; controls on the mobility of labour were lifted by the mid-1980s; thirdly there was microeconomic deregulation. The government decreased subsidies²¹ and the deregulation and liberalisation of agricultural products was a fact of life in agriculture in South Africa.²² These changes were combined with a less favourable tax regime for farmers in order to boost tax revenue. Previously farmers could claim capital expenditure on dams, fencing and irrigation²³ in the year the costs were incurred, in contrast to business who could only claim similar costs over a number of years.²⁴ Table 1, on South Africa's Growth Performance in Real Terms, gives a summary of the position²⁵:

²¹ The fact that the government was not in a position to maintain the high level of subsidies to farmers has been traditionally regarded as an important reason for the split in the National Party and the creation of the Conservative Party, R. Sandrey and N. Vink, How can South Africa Exploit New opportunities in Agricultural Export Markets?, p.3.

²² Vink, Macroeconomic and Sector Policy Changes in South African Agriculture, 1996-2002, p.20.

²³ Referred to in the tax legislation as 'development costs'.

²⁴ Ibid. p.35.

²⁵ D.F. Strydom, The South African Economy Under Strain: A Framework for Change, p.6.

TABLE 1: AVERAGE ANNUAL PERCENTAGE CHANGE

	1961-70	1971-80	1981-84
<u>GROSS DOMESTIC PRODUCT</u>	5.8	3.7	1.3
Growth Factors			
Growth domestic fixed investment			
Private Sector	8.4	3.8	1.7
Public Sector	7.9	1.8	1.2
Exports of goods and services	4.6	2.4	-1.0

South Africa's economic problems were becoming critical in the 1980s. The peculiar South African growth model adopted in the apartheid era has been referred to as 'Racial Fordism'.²⁶ This model, unique to South Africa, gave pre-eminence to the racial domination of the whites and was the basis for South Africa's economic policies up until the crisis in the 1980s. The model suggests a coherent set of institutions and practices that together were temporarily successful, providing the foundation for growth in the 1950s and 1960s.²⁷ Natrass contests this view, as the rate of manufacturing profit declined over the years 1955 to 1974.²⁸ Based on a study by Mc Dermott of a panel of countries, including South Africa, it was argued that exploitation harms growth, by forcing the ruling group to divert resources to subdue and extract resources from subject groups. Although the latter will return capital to the exploiter, they will not be able to save or invest in view of their increased cost

²⁶ The combination of government assistance to industrialists with a racial division of labour.

²⁷ C. Rogerson, 'Beyond Fordism: Restructuring Industry in the New South Africa,' in B. Jessop (ed.) CountryStudies, p.218.

²⁸ N. Natrass, 'Profitability: The Soft Underbelly of South African Regulation Analysis/SSA Analysis,' pp.31-51.

burden.²⁹ South Africa had a dominant modern industrial sector side by side with a large less productive traditional and informal sector, and McCarthy said that apartheid hid poverty from the affluent.³⁰ Dollery noted there was a decline in the South African economy's labour absorption capacity after 1970, but the decline in the economy really started in 1975, worsening in 1976. There were structural problems, including poor export performance as a result of inward-led industrialisation policies, whilst foreign exchange controls misallocated scarce financial resources. The rapid expansion of the arms industry and the ever increasing military budget, as a result of internal unrest, international pressures and independence for the Portuguese African colonies, also created stress in the economy. Weak reforms in the early 1980s led to mass insurrection, which brought with it the debt standstill of 1985. South Africa ended up as a net exporter of capital.³¹ On 28 August 1985 the value of the rand fell to its lowest level ever, 34 American cents, and the Johannesburg Stock Exchange (JSE) was summarily suspended for three days as a prelude to the introduction of restrictions on outward capital movements. The last time the JSE had been summarily closed was after the Sharpeville massacre. The reason given by the authorities in 1985 was: 'The abnormal pressure that has arisen over the past weeks on the capital account of the balance of payments, as a result of reasons unrelated to the healthy underlying economic conditions'. According to some American economists the seeds of the crisis were sown three years previously, when South African companies borrowed large amounts abroad to beat soaring local interest rates.³² The inflation rate at the end of 1985 was 18.4%, the highest in 66 years, the main cause being the sharp decrease in the foreign exchange value of the rand. According to Nedbank Group's

²⁹ J. McDermott, 'Exploitation and Growth,' pp.251-278.

³⁰ C. McCarthy, 'Apartheid Ideology and Economic Development,' pp.45-46.

³¹ B. Dollery, 'The Decline of the South African Economy: Review Note,' pp.77-95.

³² South African Institute of Race Relations, Survey of Race Relations: 1985, pp.116-117.

Executive Guide to the Economy for February 1986, the high rate of inflation would act as a brake on economic expansion. SANLAM'S *Economic Survey* for June 1986 said that capital formation had deteriorated to an alarming degree in the previous four years. Unemployment increased, particularly amongst the blacks, which was a major contributory factor to the social unrest in the country.³³ According to Strydom (quoted by Dollery) South Africa's fiscal policy was expansive owing to the costs of apartheid and infrastructural development.³⁴

By 1986 the Afrikaner business community was very concerned as to the poor state of the South African economy. Dr. F.J. du Plessis stated in his chairman's address to SANLAM's 1986 annual general meeting, that growth was low, showing the largest fall since the 1930s great depression, inflation was at 18% at the end of 1985, and the rand's exchange rate had sharply declined. The current account of the balance of payments showed a record surplus in light of the fall in the value of the rand, but the capital account posed a serious problem and South Africa faced a currency crisis. The country could not attract overseas investments and had to resort to short-term overseas borrowing, which would cause problems in the future when foreign banks would not roll over the loans. Foreigners thought South Africa's financial position was out of control. Sanctions and boycotts were of concern to Dr. du Plessis and he called for a national strategic plan to deal with the problem.³⁵

He was also president of the Urban Foundation,³⁶ and he said in an address to its annual general meeting on 31 January 1986 that, notwithstanding the political changes which had been made, the position in South Africa was critical. He said that to the

³³ Ibid, p.119.

³⁴ Dollery, 'The Decline of the South African Economy: Review Note,' p.77-95.

³⁵ Louw, Chairman's Address to SANLAM's 1986 Annual General Meeting, pp.5-7.

³⁶ The Urban Foundation was introduced as a specialised change agency dealing with relations between government and business and looking to develop a black middle-class with 'western-type needs and ambitions'. The Foundation was a joint initiative of Harry Oppenheimer of Anglo-American and Anton Rupert of Rembrandt. O'Meara, *Forty Lost Years*, p.184.

whites these political changes might have appeared to be significant, but young blacks considered them as mere tinkering with the system, which they rejected completely. He was of the view that there was a lack of confidence in the government's motives and attempts by external powers to mediate had been derailed by raids by South African forces in Cabinda and Botswana. He added that foreign governments were not always consistently hostile (and indeed, many were, at times sympathetic) to the apartheid regime: the British Prime Minister opposed sanctions at the Commonwealth Conference in 1985, but at the same time there were shootings in Cape Town. The killings at Langa in Cape Town occurred on the same day that President Botha was interviewed on United States television; above all, the speech delivered by President Botha on 15 August 1985, dubbed the Rubicon speech, dashed the hopes of those who had expected him to announce reforms in policy. Dr. du Plessis found it hard to accept that these actions were coincidental, and he considered that it was either right-wing forces or the government was fuelling existing tensions to minimise the chances of starting negotiations with all parties.³⁷ Even the government's Economic Advisory Council ventured into the political arena, when it said in 1986 that: 'Although purely economic strategies might help alleviate some of South Africa's economic problems, they would be insufficient in the long term in the face of political factors and unrest'.³⁸

In evaluating South Africa's economic performance it should be borne in mind that it was influenced by what has been called the *Resource Curse*, the paradox that countries with abundant natural resources have lower economic growth than countries without these resources. The negative effects of the Resources Curse include:

³⁷ F.J. du Plessis, President's Address to the 1986 Annual General Meeting of the Urban Foundation, pp.6-8.

³⁸ South African Institute of Race Relations, Survey of Race Relations: 1986, p.562.

Dutch Disease,³⁹ whereby the revenue from natural resources caused the exchange rate to increase and manufacturing exports to be uncompetitive in the world market. Labour and capital were drawn away from the manufacturing sector. South Africa was vulnerable to volatility in export prices of their natural resources, and its terms of trade deteriorated. In addition the government borrowed excessively in the hope of future income from their natural resources and there was increasing corruption. The major impact of the Resources Curse on South Africa was the complacency of its government. The apartheid rulers were never concerned about their high level of expenditure, particularly security expenditure, as they always thought that mineral exports (especially gold) would come to their rescue.⁴⁰

The effect of the disadvantage of being a mineral rich country was vividly stated by Bodin: 'Men of a fat and fertile soil, are more commonly effeminate and cowards; where contrariwise a barren country makes men temperate by necessity and by consequence careful, vigilant and industrious'.⁴¹

This viewpoint has been disputed, and, for example, John Drake, a retired Chief Executive Officer of Shell argued that many countries, including Norway, Brunei, Malaysia and even the Netherlands handled the impact of their large natural resources in a controlled and non-inflationary manner; however, there are of course, many examples to the contrary, ranging from Saudi Arabia to Nigeria. Drake also said that South Africa had managed its natural resources in a satisfactory manner and in such a way not to have a major adverse impact on its economic growth.⁴² The South African economy was able to ride the economic downturn in the 1970s because the sharp rise in the price of gold boosted her reserves, cushioning the effect of the world wide

³⁹ The term refers to the effect on the Netherlands economy of the discovery of North Sea oil in their territorial waters.

⁴⁰ 'Resource Curse,' [Wikipedia](http://en.wikipedia.org/wiki/Resource_Curse), http://en.wikipedia.org/wiki/Resource_Curse.

⁴¹ M. Ross, 'The Political Economy of the Resource Curse,' p.309.

⁴² Interview with J. Drake on 8 September 2006.

economic decline. Similarly, Williams observed in 1985 that: 'Thanks to its virtual monopoly of the money commodity, the economy of South Africa stands revealed as the growing fingernail on the moribund corpse of capitalism'. In contrast, in Natrass' view: 'South Africa failed to reap the full growth potential of the leap in the gold price'.⁴³

(b) WESTERN CAPE ECONOMY

With the mining industry being the main driving force of economic growth in South Africa, the Western Cape was remote from the country's economic centre of gravity. Government policies such as import substitution, establishment of parastatals in the Pretoria, Witwatersrand and Vereeniging (PWV) area, together with various apartheid legislation, adversely impacted on economic growth in the Western Cape.

Concern was often expressed about the poor economic performance of the Western Cape. At a seminar arranged by the Cape Chamber of Industries (CCI) with the National Development and Management Foundation in 1978, the President of the Federated Chamber of Industries (FCI), J.P. Cronje, said the outlook for the area was gloomy. At the same conference Dr. R.N. Thusenius of S.A. Action Research, University of Stellenbosch, raised similar concerns about the poor economic performance of the area.⁴⁴ The CCI's Year Book for 1977/78 expressed the concern that since the late 1960s the rate of growth in the Western Cape has been slowing down in relation to the rest of the country.⁴⁵ In the CCI's Year Book for 1978/79 it was noted that the recession was felt more keenly in the Western Cape than in other areas

⁴³ Natrass, 'Economic Power and Profits in Post-war Manufacturing,' p.117.

⁴⁴ 'News Report,' *Cape Times*, 14.6.78, p.6.

⁴⁵ Cape Chamber of Industries, Year Book, 1977/78, p.11.

in the country,⁴⁶ and in the 1981/82 Year Book it was noted that the Western Cape had not kept pace with other regions.⁴⁷ The Stellenbosch Bureau of Economic Research stated in 1981 that: 'Cape Peninsula now again seems to be falling behind the other main regions and that incisive steps would be advisable to ensure that the coloured unemployment does not revert to the serious position of earlier years'.⁴⁸

In 1989 the Western Cape had 13.01% of the total South African Gross Domestic Product, although its personal income was even higher at 16%, due to the Cape's sophisticated industrial sector and, possibly, also due to the coloured labour preference policy, which gave coloureds preference in the job market in the Western Cape and had an inflationary effect on wages.

⁴⁶ Ibid, 1978/79, p.13.

⁴⁷ Ibid, 1981/82, p.11.

⁴⁸ Ibid, 1981/82, p.11.

The relative significance of the Western Cape's contribution to the sectors is summarized in Table 2:

<u>TABLE 2: SHARE OF WESTERN CAPE IN RSA'S GROSS GEOGRAPHIC PRODUCT</u>				
	Percentage Share			
	1975	1980	1985	1989
Agriculture	16.9	21.1	19.6	19.9
Manufacturing	15.4	14.0	12.3	11.9
Construction	15.4	15.2	12.6	11.7
Trade and Accommodation	16.7	16.6	16.5	16.3
Transport and Communication	16.7	17.3	16.4	16.2
Finance and Business Services	16.4	16.5	18.4	18.6
TOTAL GDP REGION A	13.1	13.3	13.1	13.0

(Source: Department of Planning and Development Bank of South Africa's (DBSA) data files)

The relative significance of the different sectors in the Western Cape economy can also be compared to the national figures; table 3 demonstrates the position.

TABLE 3: SECTOR STRUCTURE WESTERN CAPE AND SOUTH AFRICA (1984-1990)

	Western Cape		South Africa	
	1984	1990	1984	1990
	%	%	%	%
Agriculture	8.9	7.8	4.8	5.6
Mining	0.3	0.2	14.7	12.9
Manufacturing	23.7	24.6	24.4	24.2
Electricity and Water	2.9	2.7	4.0	4.1
Construction	3.8	4.2	3.8	3.6
Trade and Accommodation	15.4	15.7	12.3	12.8
Transport and Communications	10.7	9.9	8.7	8.9
Finance, Insurance etc	15.0	15.1	10.9	11.1
Community/ Social services	19.3	19.8	16.4	16.8
	100	100	100	100
	Western Cape		South Africa	
	1984	1990	1984	1990
TOTAL GROSS DOMESTIC PRODUCT (GDP) R Millions	13700	35000	112825	268000
<u>Western Cape Share of RSA</u>	12.1%	13.0%		

Source (Department of Planning and DBSA files and Wesgro estimates used in 1990)

Although the Western Cape does not have a mining sector it has great strengths in agriculture, property and financial services, trade as well as tourism.⁴⁹ Its income from agricultural and tourism was obviously affected by the government's apartheid policies, which resulted in sanctions against South Africa. The decentralisation and Bantustan policies applied by the government also had an adverse impact on commerce and industry in the Western Cape, as the area did not receive these benefits, except at Atlantis, but this development proved to be disastrous.

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⁴⁹ Bridgeman et al, South Africa's Leading Edge?, pp.41- 44.

CHAPTER 2

SPECIFIC EFFECTS OF APARTHEID

The system of apartheid restricted economic development in South Africa with its artificial control of the economy and its restriction on the full employment of labour, and, even more important, the parlous state of education provided to those of colour, especially blacks.

Generally Western Cape businessmen were of the view that apartheid had a negative impact on their businesses, even if there were a number of exceptions. Reports on interviews with prominent Western Cape business are recorded in Annexure E and the questionnaire used in these interviews is included on Annexure F.

In 1987, Middlemann summarised the economic ills caused by apartheid. These included net emigration, inflation, the state of emergency, and high unemployment.⁵⁰

In 1988 he reiterated his concerns:

It was the third year of a state of emergency, the inflation rate for the last fifteen years had never been below 10% per annum, we (South Africa) cannot participate freely in international sport, and have lost the respect of most countries beyond our borders, there is a nasty smell of corruption permeating our country, and the flows of foreign investment that helped us to build a modern economy have stopped and are now in reverse.⁵¹

Bill Neate, the former Chief Executive Officer of Imperial Cold Storage, a company involved nationally in the perishable food industry and in the fishing industry in the Western Cape, when interviewed in 2006, stated that apartheid did not have a major

⁵⁰ Middlemann, 'Towards a New South Africa,' pp.1-2.

⁵¹ Middlemann, Graduation Address, University of Cape Town, 8.12.1988, pp.6-8.

impact on the Western Cape, but it did affect the company's development into all areas, as well as its exports and imports, especially equipment.⁵²

Philip Krawitz, the Chief Executive Officer of Cape Union Mart, a national retail store group with a head office in Cape Town but trading nationally, referred to the additional costs the company had had to bear in providing separate staff facilities for each race. He also said that the inflated cost of imports reduced the company's profits, as higher import prices impacted on its margins.⁵³

Herbert Hirsch, Chief Executive Officer of Walter Hirsch, a small import agency in the Western Cape that imported fabrics from the East, said that apartheid did not materially affect the profitability of his company, but it created uncertainty in the market, and South Africa would have been in a stronger economic position, if liberal policies had been followed.⁵⁴

Professor Wolfgang Thomas said that the Western Cape benefited by being far from major South African markets, and the strict labour laws had influenced the growth of high-tech service industries rather than those where unskilled labour was required.⁵⁵

Drake stated that the major impact of apartheid on Shell was the erection of Sasol, which converted coal into oil, and the development of the Mossel Bay oilfields, making South Africa less reliant on imported oil. South Africa's poor image meant that the company's coal exports were affected. He added that there was not much competition in the South African market, and when the South African market grew the oil industry prospered.⁵⁶

⁵² Interview with W.H. Neate on 2.3.2006, Annexure E.

⁵³ Interview with Krawitz on 5.4.2006, Annexure E.

⁵⁴ Interview with H. Hirsch on 5.4.2006, Annexure E.

⁵⁵ Interview with Professor W. Thomas on 5.4.2006, Annexure E.

⁵⁶ Interview with Drake on 8.9.2006, Annexure E.

Kenneth Marcus of Marcus Medical, importers of medical and surgical products with their head office in Cape Town but trading nationally, said that apartheid did not have an adverse effect on the company. It in fact benefited from apartheid, as the Group Areas Act resulted in hospitals being erected in areas adjacent to non-white areas and Marcus Medical did good business in equipping these hospitals.⁵⁷

In the view of Raymond Ackerman, the Chairman of Pick 'n Pay, a national food and general merchandise retailer with its head office in Cape Town, South Africa was held back by apartheid in every way: morale, immigration, education, fear of the future, fear of black/white confrontation. He said that, while apartheid adversely impacted on Pick 'n Pay, the company developed the skills in dealing with the problems apartheid brought. He said that the South Africa of today is so much better than in the past, but the legacy of the poor education system under apartheid is still with us today.⁵⁸

In considering the impact of apartheid on business it should be borne in mind that the Botha regime in South Africa made a number of reforms in the 1980s. D. Simon stated that these did mark a 'gradual retreat from grand apartheid', although they did not represent sudden altruism and enlightenment on the part of government. The reforms were part of a survival strategy, trying to maintain white power and influence in the face of changing circumstances.⁵⁹ Previously apartheid had been beneficial to at least some sections of business and white labour, by restricting skills acquisition largely to whites and facilitating the exploitation of cheap black labour. By the late 1970s the racial division of labour had become a significant constraint on the increasingly sophisticated capital intensive economy, which required a much higher

⁵⁷ Interview with K. Marcus on 20.9.2006, Annexure E.

⁵⁸ Interview with R. Ackerman on 24.10.2006, Annexure E.

⁵⁹ Simon, 'Crisis and Change in South Africa: Implications for the Apartheid City,' p.189.

skills level.⁶⁰ This caused significant liberalisation in the labour area including permitting the formation of black trade unions, the phasing out of discriminatory job reservation, allowing some provision of family accommodation for migrant labour, and changes to migrant labour, influx control and pass laws etc.

There was an element of contradiction in government's policy. On the one hand government was trying to establish credibility with the new black middle class, or at least secure their quiescence, whilst on the other hand it was unwilling to alienate part of its power base in the white-working and middle-classes. In addition the state faced an unprecedented level of black violence, which was ruthlessly suppressed by the emergency measures in force since 1986.⁶¹ Botha referred to this as the *total strategy*.⁶² combining a counter-insurgency brutality with limited ad hoc reform. By 1985 it was obvious that this policy had failed. The turning point came in May 1986 when Botha and his generals decided to scuttle the proposals of the Eminent Persons' Group (EPG) by bombing the capitals of three frontline states, declare a state of emergency and activate the National Security Management System (NSMS). The EPG was a team of veteran Commonwealth politicians, whose task was to develop negotiating positions with South Africa. The NSMS was set up to execute the will of the State Security Council (SSC), a 'securocracy' under the direct control of the State President. The change in the constitution in 1983 established an executive state president in place of the former cabinet system of government and included the establishment of a tri-cameral system of government giving limited political rights to coloureds and Indians. The changes were rejected by these communities, hardened the

⁶⁰ Rogerson, 'Beyond Racial Fordism,' pp.355-366.

⁶¹ Ibid, p.190.

⁶² In the words of J. Selfe, 'A marshalling of the creative (and destructive) talents of the modern state,' The Total Onslaught and Total Strategy, p.115. P.J. Botha borrowed the idea from the French Colonial Government in Algeria; see S.M. Davis, Apartheid's Rebels: Inside South Africa's Hidden War.

attitude of blacks, and also led to the formation of the United Democratic Front (UDF), which united hundreds of community organisations, women's groups, civic associations and youth groups in opposition to the government, and in response to the call of Oliver Tambo's (leader of the ANC) for 'one front for national liberation'.

The NSMS structures, mainly staffed by *securocrats* from the armed forces and police, had as their main purpose the restoration of law and order. The NSMS system reached from at the a macro level, the State Security Council (SSC) to, at micro level the more than 500 district and local Joint Management Centres (JMC). Other sections of the community were involved in these structures, notably the business community at lower levels, but the *securocrats* controlled and ran the system.⁶³

By 1988 South Africa was governed by five presidents, nine chief ministers or chairman of councils of ministers, fourteen cabinets or ministers councils, close to three hundred cabinet ministers and one thousand five hundred members of various parliaments, together with tens of thousands of local councillors. All were paid by the state and required a substantial infrastructure.⁶⁴ A further aspect of Botha's reforms was his efforts to promote dialogue with business, strictly on the government's terms. A number of public meetings were held between business and government in November 1979 and November 1981. These brought together cabinet ministers, senior civil servants and leading businessmen. At the 1979 Carlton conference Botha said: 'We have our differences, but we are creating reciprocal channels to plan national strategy in South Africa as a team'. Harry Oppenheimer chairman of Anglo American, replied that he saw: 'Greater reason for real hope in the future of the country than I have felt in many years'.⁶⁵ Middlemann said that at the time of the

⁶³ M. Swilling and M. Phillips, 'The Emergency State: Its Structure, Power, and Limits,' in G. Moss and I. Obery (eds), South African Review 5: 1989, p.76.

⁶⁴ O'Meara, Forty Lost Years, p.351.

⁶⁵ *Ibid*, p.294.

Carlton Conference in 1979 there was a clear indication of changes in policy in a new South Africa, eventually without racial discrimination. He gave some examples of an apparent willingness to change. These included the Riekert and Wiehahn commissions; the stress laid on the importance of free enterprise; the abolition of the Senate and its replacement by the President's Council; the concept of a constellation of states; the proposed large development bank and, later on, the anticipation that the de Lange Commission would call for a single education system. Further there was the recommendation that District 6 in Cape Town be made available to its original inhabitants. He said that in 1981 the disillusionment was great, as the expectations raised in 1974 had not been realised. Middlemann was of the view that in spite of the President's high motivation, his freedom to reform was as circumscribed as that of any of his predecessors. On the eve of the second presidential conference with businessmen in Cape Town in 1981 Middlemann called for: an open society, in which all people would be equal before the law; the current institutional framework should be changed from one of discrimination, restrictions and monopolies, both state or private, to a free market economy; the essential nature of such an economy required South Africa to be a single economic unit with a single currency and no internal economic frontiers; all South Africans should have equal opportunities and rights, including freedom of movement, the right to acquire skills and to exercise them with access to education and vocational training and easy access into and participation in the informal sector.⁶⁶

The changes instigated by Botha from 1979 onwards can be divided into two categories, those dealing with racial zoning, and other measures. Whilst the racial

⁶⁶ Middlemann, 'Our Only Way Out of the Present Strife,' Cape Times, 12.11.81, p.8.

changes received more attention in the media, many other changes had great significance in their effect on the black majority. These changes were as follows:

Repeal of the Mixed Marriages Act ; the proclamation of central business districts and other trading areas for commercial and professional occupation and ownership by all races ; desegregation of amenities in opening drive-in cinemas and cinemas in central business districts to all races, and the opening of Cape Town, Port Elizabeth and Durban beaches, swimming pools and bus services to all ; opening of hotels, restaurants and accommodation establishments to all races and granting of 30, 60 and 99 year leasehold rights to blacks in urban areas. Full freehold rights were granted to blacks in their urban areas in 1986.

These reforms may have created new business opportunities, but any gains were offset by challenges in other areas. The government was forced into granting property concessions to blacks, because of its deteriorating financial position and its inability to finance shelter provision for the increasing black low income urban population. They were also forced to pressurise business to increase its contribution to low income housing for blacks.⁶⁷

⁶⁷ Simon, 'Crisis and Change in South Africa: Implications for the Apartheid City,' pp.194-198.

(a) HIGH LEVELS OF TAXATION

During the apartheid years there was much concern in the business community as to the high level of direct and indirect taxation and the adverse impact this had on business profits. The Margo Commission of Inquiry into the Tax Structure of South Africa in 1986 referred to this fact in its report. A table included in the report noted that the total tax payable by companies and individuals who receive dividends from those companies amounted to 53.33% in 1960 increasing to 67.83% by 1986. In fact in 1973 the rate was 69.32%. In all cases the percentages were calculated after tax surcharges.⁶⁸ The reduction in the overall rate in 1979 was due to the introduction of a General Sales Tax (GST). In 1985 approximately 36% of state revenue came from indirect taxation of which 60% came from GST.⁶⁹

Comparing taxation as a percentage of the Gross Domestic Product (GDP) it increased from 19.4% in 1975 to 24.4% in 1985.⁷⁰ Wassenaar, the Chairman of SANLAM, the major Western Cape Afrikaner insurance and financial conglomerate, also complained in 1977 about the high levels of taxation. He said this had an adverse effect on the development and expansion of private enterprise in South Africa.⁷¹ He was critical of the management of the economy by the Nationalist government, and used the term, 'Blunder after Blunder', to describe their policy.⁷²

Many business people stated that South African tax rates during the period were not out of line with international tax rates. In making any such comparison one should note that the tax allowances and incentives granted by overseas countries, were in

⁶⁸ Report of the Commission of Inquiry into the Tax Structure of the Republic of South Africa, p.193, Annexure A.

⁶⁹ Ibid, p.69.

⁷⁰ Ibid, p.38.

⁷¹ Wassenaar, Assault on Private Enterprise, pp.90-94.

⁷² Ibid, pp.38-41.

many cases, considerably more generous than those granted to South African taxpayers during the period under review.

South Africa was a nation with a high level of central state control which resulted in a high level of government expenditure. In addition the apartheid policies necessitated large expenditure on defence and the police. In the fiscal year 1970/1 defence expenditure only amounted to R260m,⁷³ but it rose to R1654m in 1978/9 (an increase of 235% over four years),⁷⁴ then to R3755m in 1984/5⁷⁵ and R6683 in 1987/8. To this must be added the cost of police; for instance in the 1987/8 budget speech the Minister of Finance reported that police costs had increased by 42.8% compared to the previous year.⁷⁶ Gerald Shaw, who occupied senior editorial positions with the Cape Times, said that during the apartheid years South Africa was fighting two surrogate wars, in Angola, and in Mozambique with its support for Renamo who opposed the government in that country.⁷⁷ The cost of imposing apartheid on the country was inflicting an impossible and non-sustainable burden on the country and would eventually bring about the change to democracy. As Strydom commented: 'The most important factor responsible for the acceleration in government spending, particularly during the 1980s, was the rising cost burden of the apartheid system'. In addition to these costs the Bantustan policies had enormous cost implications through the provision of tax incentives and other concessions which costs had to be met by taxation and in the later apartheid years by loans necessitating large budget deficits.⁷⁸ In addition to the disadvantages the Western Cape had in being far from the main markets in the PWV area, it paid the same taxes as all other taxpayers, without being

⁷³ Minister of Finance Budget Speech, 12.8.1970, pp.2-3.

⁷⁴ Minister of Finance Budget Speech, 29.3.1978. p.3-4.

⁷⁵ Minister of Finance Budget Speech, 28.3.1985, p.12.

⁷⁶ Minister of Finance Budget Speech, 3.6.1987, p.11.

⁷⁷ Interview with Gerald Shaw on 4.4.2007, Annexure E.

⁷⁸ Strydom, Macroeconomic Policies, 1970-2000, p.39.

able to benefit from the close proximity of rural low wage slums, or most of the decentralization incentives.

Krawitz of Cape Union Mart said that the heavy burden of tax restricted the development of companies.⁷⁹ Thomas said that in the 1970s and 1980s our tax rates were not out of line with the rest of the tax-paying world,⁸⁰ and this view was shared by Drake of Shell.⁸¹ Neate of Imperial Cold Storage, said that he had no particular view on the tax burden.⁸² A point to bear in mind is that tax was paid by companies on profits boosted by inflation, although for a time they received relief by the 'Last-In-First-Out' system of stock valuation. Individuals received salary increases to compensate them for inflation, which moved them into higher tax brackets. Krawitz said that a culture developed where it was legitimate to avoid tax, if one had reservations as to how taxes were spent.⁸³ Neate commented on the tax and other benefits received by the co-operative societies, which created unfair competition with the private sector. The benefits they received included tax concessions and cheap finance from the Land Bank.

In the view of Professor Hermann Giliomee many taxpayers invented moral reasons for reducing their tax burden. He is very sceptical about the motives of people, who said that, for political reasons, they endeavoured to avoid paying taxes in the apartheid years. In his views this is a retrospective rationalisation, as a result of their guilty feelings they have about their behaviour in the apartheid years. Their motives were suspect, even if they said that they adopted this action, as they were against the excessive expenditure on the security establishment.⁸⁴

⁷⁹ Interview with Krawitz on 5.4.2006, Annexure E.

⁸⁰ Interview with Thomas on 5.4.2006, Annexure E.

⁸¹ Interview with Drake on 5.9.2006, Annexure E.

⁸² Interview with Neate on 2.3.2006, Annexure E..

⁸³ Interview with Krawitz on 5.4.2006, Annexure E.

⁸⁴ Interview with Professor Hermann Giliomee on 31.3.2007, Annexure E.

(b) BANTUSTANS

The Bantustans were those areas designated by the South African government in the apartheid years as “homelands” for the country’s black ethnic groups. They were the cornerstone of the National Party’s policy for the blacks,⁸⁵ and the cost to the taxpayer was enormous. The Bantustans were provided with all the trappings of full nationhood including: state presidents and cabinets, parliamentary buildings, so absorbing large sums of South African public funds. During the years from 1982 to 1988 the South African government’s contributions to the independent homelands amounted to R3395.8 million,⁸⁶ South Africa providing on average about 77% of the revenue.⁸⁷ In the words of van Zyl: ‘For 30 years, South Africa had created a system of bureaucratic patronage and privilege that was costing a fortune’.⁸⁸ This policy which set out to develop South Africa as a set of separate political entities was referred to by McCarthy in 1990 as balkanization. In his words however, ‘Political sovereignty meant little without economic substance’.⁸⁹ It placed a heavy burden on the South African taxpayer, and in particular on business, and it impacted on the Western Cape, as it diverted economic resources away from that area.

Ackerman of Pick ‘n Pay, expressed controversial views and one such view was his opinion of the Bophuthatswana Bantustan, after a visit to that area in 1975. He said that he saw much on the positive side, even if there was a lot of squalor and many squatters. He was impressed with black businessmen building up chains of stores, owning land and houses. He also saw 32 schools, a hotel school, and even plans to

⁸⁵ Egero, *South Africa’s Bantustans*, pp.6-7.

⁸⁶ Egero, *South Africa’s Bantustans*, p.28.

⁸⁷ Tomlinson and Hyslop, *Industrial Decentralisation, Bantustan Policy and the Control of Labour in South Africa*, p.9.

⁸⁸ Van Zyl, ‘Industrial Decentralisation, Homeland Poverty and Urban Growth: Review and Appraisal,’ p.2.

⁸⁹ McCarthy, ‘Apartheid Ideology and Economic Development Policy,’ pp.43-44.

build an 18-hole golf course. He was of the view that these developments could only build up the self-esteem of blacks.⁹⁰ In a somewhat contrary view he also said that the system of border industries, which was introduced by the government was immoral, exploiting the people living in the Bantustans and benefited no one other than the owner of the border industries, who were able to exploit the cheap labour.⁹¹

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⁹⁰ Ackerman, Hearing Grasshoppers Jump, 149-150.

⁹¹ Ibid, pp.211-12.

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(c) JOB RESERVATION

The policy of job reservation goes back to the 1930s and even earlier, but in the 1930s a so-called 'civilised labour' policy was introduced, which reserved, by law, skilled employment for whites; blacks were to remain unskilled.⁹² On the National Party coming to power in 1948 job reservation was intensified. The Industrial Conciliation Act of 1954 contained provisions to protect white workers and in the words of the then Minister of Labour, Senator Jan de Klerk, 'In practice the Bill meant that the European's economic position in the industrial world could never be lowered by the non-European'.⁹³ The Minister of Labour stated in 1957 that: 'The European worker in this country must be protected or else European civilisation will go under'.⁹⁴ These conservative and short-sighted policies resulted in a scarcity of skilled labour as the economy grew. The Cape Chamber of Industries (CCI) expressed concern in 1960 as to the policy as applied in industry. Coloureds who were in occupations reserved for whites could continue to remain in their positions, but when they left the job had to be filled by whites. At a meeting of the CCI held on 28 July 1960 the following resolution was passed:

- 'That this General Meeting of the Cape Chamber of Industries is convinced that job reservation is unnecessary for the prevention of inter-racial competition in the Western Cape where the labour of the various races is complementary and not in conflict;
- that the Chamber is convinced that job reservation will retard the economy of the Western Cape to the detriment of all races;

⁹² Tomlinson and Hyslop, Industrial Decentralisation, Bantustan Policy and the Control of Labour in South Africa, p.4.

⁹³ Bunting, The Rise of the South African Reich, p.359.

⁹⁴ Feinstein, An Economic History of South Africa, p.158.

- that particular apprehension is felt at the forthcoming effect of job reservation on the Cape coloured community and upon traditional maintenance of good inter-racial relationships in the Western Cape; and
- That it is particularly urged that the coloured community of the Western Cape should be excluded from all existing or future work reservation determinations'.⁹⁵

The CCI had expressed a concern about job reservation for a number of years and in a Memorandum submitted to the Minister of Labour two years previously on 19 August 1958, the following points were made: The re-distribution of work and the substitution of workers was a natural economic process, which had not resulted in one racial group advancing at the cost of another; the displacement of white workers was due to a shortage of such workers or to the reclassification of operations and or skills following mechanisation or technological progress; the artificial entrenchment of employment might engender a lack of interest on behalf of some workers; workers of different races should be looked on as complementary to each other; and job reservation was likely to have an impact on future development.⁹⁶ An example of the government's restrictions imposed was the declaration in 1962 that in the Western Cape, the occupations of firemen and traffic officers, above the rank of constable, was reserved for whites. With regard to employees of City Tramways in the Western Cape, in not less than 24 days in the month, at least 84% of bus drivers must be white. In 1965 the regulations were relaxed and 24% of bus drivers could be coloured.⁹⁷

The impact on business of the shortage of skills was material, and by 1977 government figures showed vacancies for 99000 workers in technical, professional

⁹⁵ Cape Chamber of Industries, Mid-Year General Meeting, 28.7.60, pp.12-13.

⁹⁶ Cape Chamber of Industries, Memorandum submitted to the Minister of Labour on Job Reservation, 19.8.58, pp.2-7.

⁹⁷ South African of Race Relations, Survey of Race Relations 1962, p.6 and Survey of Race Relations 1965, p.8.

and semi-professional grades.⁹⁸ As early as in 1964 C.T.Hupkes, chief economist of the Bureau of Economic Research at Stellenbosch University, had commented in a labour survey: 'If, in certain sectors of the skilled labour market, the required white manpower cannot be recruited by means of immigration, present needs dictate that recruits be sought in other sections of the population'.⁹⁹ However towards the end of 1964 the government's Department of Planning published an economic development programme, which was compiled after consultation with government departments and the private sector, and which programme recommended that South Africa should aim at a real growth rate in the gross domestic product of 5.1/2% per annum over the period 1965 to 1969. In the programme various assumptions were made – that there would be 20000 white immigrants a year; that the process of repatriating "foreign" blacks would be accelerated; that there would be an increase in exports and some capital inflow; and that inflation would not exceed 1.75% per annum. The programme laid particular stress on the need for substantial additions to the skilled labour force; various schemes for training whites were discussed, and it was recommended that Indians and coloureds should be encouraged to undertake more advanced work in specific areas; blacks meanwhile should be given further assistance to do so in the Bantustans and in border areas.¹⁰⁰ Surveys conducted by employers between 1969 and 1971, revealed persistent shortages of skilled artisans in the furniture, motor, metal, clothing and construction industries.¹⁰¹ By the late 1970's business was suffering a permanent and severe shortage of skilled and technical labour in all sectors of the economy, especially the manufacturing sector and this was a major factor in the

⁹⁸ O'Meara, *Forty Lost Years*, p.177.

⁹⁹ South African Institute of Race Relations, *A Survey of Race Relations, 1964*, p.240.

¹⁰⁰ South African Institute of Race Relations, *A Survey of Race Relations, 1965*, p.203.

¹⁰¹ Feinstein, *An Economic History of South Africa*, p.191.

recession from 1973 onwards.¹⁰² The Cape Town Chamber of Commerce in its 1973/74 Annual Report not only stated that immigration was failing to meet the skill shortfall, it said: 'Official restrictions on the employment of non-whites and the lack of training facilities led to a shortage of skilled and semi-skilled workers'.¹⁰³

In this period Hersov, Chairman of Anglovaal (a large industrial company with interests in the Western Cape in building supplies and particularly fishing), in 1979 stressed that South Africa faced the problem of a shortage of skills together with a large unskilled labour force, and he also said that socio-economic stability was essential. Rosholt, the Chairman of the conglomerate Barlows, which had extensive interests in the Western Cape, said in 1981 that the shortage of skills was the single most important obstacle to an acceptable growth rate. These criticisms were echoed by Coetzer the Chairman of the Afrikaner mining group, Federale Mynbou.¹⁰⁴

The government faced the choice of allowing the economy to stagnate or to permit blacks to be trained for semi-skilled jobs in the cities to meet the demand.¹⁰⁵

Kane-Berman also commented that: 'South Africa's spectacular success in developing its abundant mineral resources contrasts strikingly with its failure to develop its human resources'.¹⁰⁶ In his view, whenever the economy boomed, there was a scarcity of skilled labour. The development of a more sophisticated economy necessitated more skilled labour. He also noted that South Africa was not an attractive country for overseas job-seekers and that many whites emigrated.¹⁰⁷

Kane-Berman quoted a statement of the Bureau for Economic Research at the University of Stellenbosch, which in the second quarter of the 1980s warned that

¹⁰² O'Meara, *Forty Lost Years*, pp.171-172.

¹⁰³ Cape Town Chamber of Commerce Annual Report 1973/4, p.1.

¹⁰⁴ Bolton, *Business and State in South Africa*, pp.92-93.

¹⁰⁵ Kane-Berman, 'The Erosion of Apartheid,' p.15.

¹⁰⁶ *Ibid*, p.15.

¹⁰⁷ Kane-Berman, 'The Skills Shortage,' p.79.

‘Skill shortages could choke the economy prematurely.’¹⁰⁸ A survey conducted by the Bureau at that time of a number of businesses, revealed that the demand for skilled workers exceeded the supply. The Bureau said that: ‘The inflation rate will be very difficult to control.’ Even the Prime Minister's Economic Advisory Council was especially worried at the shortage of skilled labour and its possible inflationary consequences. These views were shared by the Natal Chamber of Industries, which found that shortages of skilled labour were starting to emerge during the first quarter of 1980, with 33% of firms surveyed reporting that they were a major limiting factor to increased output.¹⁰⁹

Kane-Berman noted that the Anglo American Corporation, which also had considerable business interests in the Western Cape, shared these concerns as to the skills shortage. In the same period Harry Oppenheimer, in his chairman's review in the annual report of African Explosives and Chemical Industries (AECI), the chemical giant which had a major plant at Somerset West in the Western Cape, said that: ‘Shortages of skilled manpower remained a major reason for concern and could well prove to be the main threat to economic growth’.¹¹⁰ Gavin Relly, Deputy Chairman of Anglo American declared at the same time that one of the most devastating criticisms that could be levelled at the private sector, the government and the trade unions was the lack of foresight and planning to ensure an adequate supply of skilled manpower in anticipation of an economic upturn. He said: ‘we find ourselves in this position for the umpteenth time. Once again we are bewailing the fact that the manpower is not available to take advantage of more favourable

¹⁰⁸ Ibid, pp.79-80.

¹⁰⁹ Ibid, pp.79-80.

¹¹⁰ Ibid, pp.79-80.

economic conditions. It must never happen again that South Africa is kept from progress through this lack of foresight'.¹¹¹

Concerns were also expressed by an unnamed chief executive of a US-owned subsidiary in South Africa in the field of industrial and agricultural chemicals. He said: 'It's very difficult to follow the Sullivan principles on equal pay and equality of opportunity, because the black in South Africa is nowhere near the level of the black in the U S'. He was of the view that most US companies in South Africa wanted to give equal opportunities, regardless of race, colour, creed or sex, but for this to happen people would have to be properly educated and developed. He expressed concern that the education standard of blacks in South Africa was very much lower than in the U.S. This Chief Executive also said: 'I feel the economy could collapse in the next five years because of the lack of skilled personnel, or at the least have very limited growth', and he also expressed concern that the wage inflation implications were very serious.¹¹² Not only were non-whites prohibited from performing certain skilled or semi-skilled occupations, but the standard of education they received was so inferior to that which the whites received, that even if job reservation were not in place, the non- whites would have great difficulty in occupying positions requiring skills.¹¹³ Kane-Berman endorsed these views on the consequences of the kind of education provided for black South Africans and stated that:

The inferiority of non-white - especially African – education is in part the inevitable outcome of the fact that the whites-only Parliament has provided for its own children first. But it is also a consequence of deliberate policy. When African education, pioneered in South Africa by church missions, was nationalised in 1955, Hendrik Verwoerd, the Minister responsible (he later

¹¹¹ Ibid, pp.79-80.

¹¹² Ibid, pp.80-81.

¹¹³ Ibid, pp.80-81.

became Prime Minister), declared that this was necessary in order to ensure the implementation of the National Party's policy, which was that there was no place for blacks in the white community, above the level of certain forms of labour.¹¹⁴

Verwoerd had stated that: 'There was no point in teaching Africans mathematics since they would not be required to use it in practice, neither must they be taught that they would live their adult lives under policy of equal rights'; he was of the view that education had to be rooted in tribal culture.'¹¹⁵ The result was that most black pupils dropped out of school within a few years. Only one child out of 63 in the 1962 intake into school reached matriculation.¹¹⁶ Wilson noted from the South African Labour Research Survey (SALRS) 1993 data, that black primary education failed miserably in providing basic literacy and comprehensive skills.¹¹⁷

The National Party starved non-white education, especially black education. When Verwoerd took over, the cost of black education was frozen at 1953 levels. Any additional revenue had to be provided by the black community themselves, and this included all capital expenditure. State expenditure on black education actually declined in per capita terms throughout the 1950s and 1960s. Inadequate financing and too few matriculants, and thus too few black teachers, gave black pupils a poor and limited education. Table 4 summarises the position of government expenditure on education.

¹¹⁴ Ibid, pp.80-81.

¹¹⁵ Quoted in *ibid.*, pp.81-28.

¹¹⁶ *Ibid*, pp.83-84.

¹¹⁷ Wilson, 'Challenges for the Post-apartheid Economy,' p.324.

	White	Indian	Coloured	Black
Year	R	R	R	R
1953	128	40	40	18
1960	145	-	59	12
1968	228	70	-	14
1975	644	190	150	42
1977	654	220	158	49
1979	724	357	225	71

A further problem was the introduction of mother-tongue education in primary schools, with the hope that blacks would retain tribal links. This policy was detrimental in that blacks were less able to obtain employment where proficiency in English or Afrikaans was required. The economic consequences of this disastrous education policy came to a head in 1976, when hatred of the segregated and inferior educational system for blacks caused the Soweto riots and nation-wide boycotts by non-white school pupils. The economic consequences of these riots were extremely serious.¹¹⁹

Some companies introduced internal training programmes and Tony Bloom, Chairman of Premier Milling, a national group of companies with Western Cape industrial interests in milling and baking, said in the 1970s that whilst they were starting an in-house training programme, they were having difficulty in finding suitable candidates

¹¹⁸ Source: F.E.Auerbach, *Discrimination in Education* (Cape Town: Centre for Intergroup Studies, 1976); Loraine Gordon et al (Compilers), *Survey of Race Relations in South Africa, 1978* (Johannesburg, 1979), p.399; *Intergroup* (Cape Town: Centre for Intergroup Studies) June 1980, p.19.

¹¹⁹ Kane-Berman, 'The Skills Shortage,' p.85.

for training, owing to the poor education system.¹²⁰ Wim de Villiers, the Chairman and Managing Director of General Mining Union Corporation, a leading Afrikaner mining group, also expressed concern as to the skills shortage. In a book published in 1974, de Villiers noted that the main problem in South Africa was not a labour shortage, but a skills shortage. He said that:

In South Africa, it is estimated that 85% of the present economically active population is unskilled or semi-skilled, while only 15% - (compared with 48% in the US during a comparable stage of economic development) - can be grouped as the leaders, clerks, salesmen and skilled workers.¹²¹

De Villiers said that the whites were too small a proportion (17.4% in 1974, 16.5% in 1978) of the population to be able to provide the necessary skills on their own. In his view there were simply not enough whites to meet the demands of the growing economy for leaders in the group and for clerks and salesmen, skilled workers and foremen. Even immigration on a large scale could not meet the demand. He considered that the shortage of available managerial, entrepreneurial, technical, and intellectual talent, and the fact that largest proportion of the population was non-white and unskilled, would not only limit the rate of increasing productivity, but also the growth rate.¹²²

De Villiers was of the view that at that stage of South Africa's development, it could not afford to have such a large proportion of its non-white population working as unskilled labour. The required programme for the training and development of South Africa's non-white represented a massive task, and South Africa's economic growth will be dependent on the speed with which any programme to train and develop non-whites was executed. He said: 'The movement of suitably qualified non-whites to

¹²⁰ Ibid, pp.83-84.

¹²¹ Ibid, pp.83.

¹²² Ibid, pp.83-84.

positions regarded as the prerogative of the whites is one of the most difficult social aspects of the problem of the better utilisation of the Republic's human resources'.¹²³ During the 1970s the government realised that its educational policies needed revision, and a programme of improvements was introduced. It would, however, have been some time before the benefits of an improved educational system could filter through to commerce and industry. All companies, either local or subsidiaries of overseas companies, faced the problem that the school system failed to produce even a moderately high level of general education, that could provide the basis for blacks to obtain technical or other specialised skills.¹²⁴ There were also serious limitations in technical and vocational training: with a few minor exceptions, trade schools and technical colleges for blacks simply did not exist in the white areas.¹²⁵

Skill shortages did not only affect the lower job bands. Business opportunities in the black community forced companies to consider employing black managers in certain areas. Old Mutual, for example, the insurance and financial group in the Western Cape, employed black managers to supervise its black marketing force.¹²⁶ Seekings and Natrass noted that the racial barriers began to be less restrictive in the 1970s, mainly because new opportunities opened up for better educated black workers. Throughout the 1980s and into the 1990s, education and skills became even more important for blacks both in determining earnings and whether they would find employment.¹²⁷ From the middle of the 1960s the shortages of skilled labour led, in the words of Seekings and Natrass, 'To the racial labour dispensation fraying at the edges'. Bottlenecks in the supply of skilled labour led to the disintegration of the

¹²³ Ibid, p.81-82.

¹²⁴ Ibid, p.86.

¹²⁵ Ibid, p.86.

¹²⁶ P. Brooke Simons, *Old Mutual 1845-1895*, pp.183-184.

¹²⁷ Seekings & Natrass, *Class, Race and Inequality in South Africa*, p.91.

colour bar or 'floating upwards'. In the Bantustans, however, black workers were denied the opportunity of skills development and upward mobility.¹²⁸

Owing to 'territorial apartheid' in South Africa, 86% of the land area of South Africa had been unilaterally designated by the ruling white minority as 'white areas', the remaining 14% being allocated to 'non-whites'. The area allocated to whites contained nearly all the country's mines and industrial and commercial centres of any consequence. The result was that there were many more blacks employed in white areas than in the homeland (Bantustan) areas. These latter areas, mainly rural, were over-populated and impoverished, and made a negligible contribution to the GDP of South Africa.

The South African economy was heavily dependent on black labour, but as has been discussed, up until the mid-1970s blacks were prohibited from being trained for skilled jobs in the 'white' areas. The official view was that such training should be provided, and skills utilised only in the Bantustans. This policy applied not only to industrial skills, but also to managerial, professional and entrepreneurial skills.

Restrictions on the movement of blacks in the white areas were also a factor in the skill shortage, as they tended to prevent the industrial labour force becoming permanently settled and discouraged management from investing in industrial training. The migratory labour system was an obvious deterrent to employers wishing to provide technical training, as this system resulted in a large turnover of staff.¹²⁹

In accordance with the government's policy of 'territorial apartheid' the government was opposed to the indenturing of blacks as apprentices in the white areas. This approach was not enacted in law, but was stated to be a policy and was applied administratively, and it accorded with the views of the white trade unions. Any trade

¹²⁸ Ibid, pp.146-147.

¹²⁹ Ibid, p.87.

union that agreed to indenturing blacks as apprentices in white areas could face ostracism by other unions. Most trade unions had a procedural mechanism that also blocked the indenturing of blacks as apprentices.¹³⁰

Kane-Berman referred to 'customary exclusion', which was a form of the colour bar that was difficult to identify but which permeated most sectors of the economy. It was not caused by decrees imposed by government or trade unions, but arose from the attitude of company management; for instance, managers of supermarkets would insist that those who were in contact with customers should be white, otherwise customers might object. Kane-Berman cited one example of a managing director who insisted that his personal secretary must be white: 'Because we don't really have the proper toilet facilities on this floor'. Kane-Berman also cited the example of a consulting engineer who would not employ a black draughtsman: 'because the other chaps in the office are not yet ready for it'. A further example was that of a lawyer who would not have a black as an articulated clerk: 'Because it would be awkward if the typists had to take dictation from him'.¹³¹ Even Anglo American, a company which was regarded as progressively minded, admitted that the employment of black graduates in senior technical positions, even when permitted by law or trade union regulation, would meet with a hostile reaction both from the present occupants of similar jobs and from those who had to work under them. As a result, even if blacks possessed high qualifications they experienced difficulty in obtaining suitable employment, and even the best-intentioned companies were to fall in with this long-standing custom.¹³²

¹³⁰ Ibid, pp.86-87.

¹³¹ Ibid, pp.86-87.

¹³² Ibid, p.88

Thomas was of the view that job reservation, combined with the emigration of skilled whites created inflexibility in the labour market.¹³³ Drake of Shell, on the other hand, said that job reservation and the coloured labour preference policy had not affected Shell as the oil industry was capital intensive and shortages of skilled workers could be met from the overseas Shell Group.¹³⁴ Ackerman of Pick n' Pay said that labour restrictions made it difficult to run a business.¹³⁵ Krawitz of Cape Union Mart referred to the resistance from some customers to employing coloured sale staff.¹³⁶

Multi-nationals, who adhered to the European Economic Community (EEC) code, or the Sullivan principles, had to take particular care in appointing and promoting staff.¹³⁷ They operated in a society, which was permeated by apartheid over so many years, and this affected the racial attitude of their staff and customers. Krawitz, of Cape Union Mart, in the interview with him, also referred to this attitude.¹³⁸

Kane-Berman stated that the shortage of skills was to be found in almost all sectors of the economy, the public sector as well as the private sector. The skill shortage was present at practically every occupational level, requiring anything more than rudimentary skills. He quoted the following examples¹³⁹:

- The Post Office reported in January 1980 that they had 4000 vacancies in jobs that included professional and administrative staff, pupil-technicians, telecommunication trainees, telephonists and postmen.

¹³³ Interview with Thomas on 5.4.2006, Annexure E.

¹³⁴ Interview with Drake on 8.9.2006, Annexure E.

¹³⁵ Interview with Ackerman on 24.10.2006, Annexure E.

¹³⁶ Interview with Krawitz on 5.4.2006, Annexure E.

¹³⁷ Kane-Berman, 'The Skills Shortage,' p.88.

¹³⁸ Interview with Krawitz on 6.4.2006, Annexure E.

¹³⁹ The source for the following examples is Kane-Berman, 'The Skills Shortage,' pp.88-94. It is appreciated that using a single source for numerous consecutive examples is not unproblematic in that it may be used to selectively reinforce a single point of view; at the same time, this account does bring together a number of useful practical illustrations as to how the skills shortage affected firms, *even* if they may have benefited from other aspects of the system.

- Iscor, the state-owned iron and steel corporation, stated that in April 1980 their complement of artisans was 13% below its requirements. It also was experiencing a 32% staff turnover of skilled labour which was a major problem in the private sector, as there was frequent poaching of skilled staff.
- The South African Railways reported in March 1980 that certain projects, vital for rising traffic volumes in the improving economy, were being delayed because of a shortage of engineers, technicians, draughtsmen and other staff.
- A large computer personnel consultancy reported in October 1979 that there was a countrywide shortage of systems analysts and analyst programmers which stood at 28%. The acute shortage was caused by the rapid growth in the economy, combined with an increasing demand for data processing systems, following on a decrease in the cost of these systems.
- Dennis Etheridge, president of Chamber of Mines in 1979/80, said in November 1979 that: 'Because of the shortage of skilled manpower the industry may not be able to achieve in full measure the expansion which the substantial (gold) price makes possible'.¹⁴⁰ Etheridge said that while there was an overall shortage of skilled labour, the problem was especially serious in management and professional areas. 'We can train black people and we can also retrain white workers for these positions - but this would take about ten years for the industry to derive any benefit. We are facing this grave shortage now'.¹⁴¹
- The Building Industries Federation of South Africa (BIFSA) stated in January 1980 that about 30% of its member construction firms were complaining of skills shortages. The building industry had hoped for an intake of 1000

¹⁴⁰ Quoted in Kane-Berman, 'The Skills Shortage,' pp.89-90.

¹⁴¹ Ibid.

apprentices in 1979, but had signed on fewer than half that number, whilst an intake of 1600 was needed in 1980¹⁴².

- The Steel and Engineering Industries Federation (SEIFSA), which represents more than 5000 firms, reported in January 1980 that there was a shortfall of 4000 apprentices. In February 1980 SEIFSA said that there was a shortage of draughtsman and technicians which was: ‘Inhibiting growth in vital sectors of the national economy’, and it also remarked on the: ‘Unimaginative and sometimes poor quality of teaching of mathematics and physical science at secondary school level’.¹⁴³ In a review of specific sectors in the first half of 1980, SEIFSA noted the appearance of shortages of both skilled and semi-skilled workers in general engineering, agricultural and irrigation machinery and implements, foundries and steel and ferro-alloys.¹⁴⁴
- In May 1980 Kane-Berman quoted the Standard Bank Review which said, in a review of the heavy electrical equipment industry that increasing demand was causing: ‘A difficult supply situation in which the most critical factor was a shortage of skilled labour especially qualified engineers, skilled artisans and draughtsman’.¹⁴⁵
- The South African Institute of Civil Engineer reported in March 1980 that the shortage of civil engineers was likely to be one of the major problems of the 1980s. The Institute said that for every civil engineer graduating in 1982, there would be three jobs available. They said that shortages were also reported

¹⁴² Ibid.

¹⁴³ Ibid, p.90.

¹⁴⁴ Ibid, p .90.

¹⁴⁵ Ibid. p.90.

among electrical, mechanical and chemical engineers, as well as among architects and quantity surveyors.¹⁴⁶

In April 1980 in his chairman's review for General Mining, the Afrikaner mining group, Wim De Villiers, noted that the population of South Africa increased by 22% during the period 1970 to 1978 and the Gross Domestic Product (GDP) had increased by 31%, but the number of artisans and apprentices had only increased by 5%.¹⁴⁷

With regard to multi-national companies, Kane-Berman reported on their experience of operating in South Africa.

Ciba-Geigy

This company said that there is a skills shortage in South Africa, that the output of schools was not sufficient, and that it would take time for blacks to be trained for skilled occupations¹⁴⁸. They posed the question as to why there was only one black Chartered Accountant in South Africa. They also said that there was a tremendous shortage in the finance and accounting fields, and it was difficult to find the agronomists, production managers, and people skilled in the computer world. In their view blacks had not been given the opportunity to be trained and developed. They considered it was not only a question of training, but also of attitude. They posed the question as to whether blacks would be given the opportunities to be employed in skilled jobs. Their company needed many people with technical knowledge of their products, who would have to interact with their customers, yet they also repeated the view that blacks were not fully acceptable to their customers in these jobs. Ciba-Geigy was reluctant to employ them in these positions as the company believed that

¹⁴⁶ Ibid. p.90.

¹⁴⁷ Ibid, p.90.

¹⁴⁸ Ibid. p.91.

social attitudes could not be changed overnight. The company felt that even if blacks were trained they would have a subservient attitude, in that they believed whites were superior. They had found that blacks from Malawi and Swaziland to be more confident and sure of themselves, whilst South Africa blacks needed to be more self-assertive. ¹⁴⁹

General Motors

They stated that: 'In certain job categories, there is a lot of job-hopping, and there will be a critical shortage in those areas, especially since training takes so long'¹⁵⁰. General Motors South African assembly plant is less automated than the plants in other countries. Assembly hours were substantially higher than they would be normally. The shortage of skills was particularly difficult, in the light of nature of the South African plant, with its great proliferation of car and truck models, in contrast to the position with other General Motors' plants in the rest of the world.

Volkswagen

They stated that: 'Skills shortages are an enormous problem in many areas'¹⁵¹. There were few skills in the South African motor manufacturing industry until the local content programme was introduced in the 1960s. They believed that they had nevertheless progressed reasonably well because of their aggressive internal apprenticeship and training schemes.

Goodyear

In February 1980 this company was only operating at three-quarter capacity, but the skills shortages were already being felt, especially among technicians and in

¹⁴⁹ Kane-Berman, 'The Skills Shortage,' pp.91.

¹⁵⁰ The views expressed in this paragraph were also quoted in Kane-Berman, 'The Skills Shortage,' pp.91.

¹⁵¹ Ibid. p.92.

maintenance jobs done by artisans. They considered that it would only get worse if the economy grew, and that the country's black education system did not adequately prepare blacks for industry. Pupils who were trained in ordinary academic schools were weak in mathematics and science.¹⁵²

Dunlop

The company stated that the worst skill shortages were in respect of engineers, technicians and artisans. They also said that there were shortages in sales and administrative staff.¹⁵³

Alfa-Laval

In their company blacks were employed mainly at operational level, with coloureds and Indians in skilled occupations¹⁵⁴. Their main skills bottleneck was at the sales and technical level, but not particularly with artisans. The company said that other employers, especially Sasol, were offering very high salaries to entice senior personnel to work for them. This resulted in their having to increase their salary packages to levels which would not normally apply¹⁵⁵.

Ingersoll-Rand

This company reported that: 'Certain mechanical skills are in short supply, especially those needed to operate sophisticated machine tools'.¹⁵⁶

General Electric Corporation

The company said that: 'Without doubt, the shortage of skilled labour will be a factor that seriously inhibits meeting demand and possibly even expanding production facilities'. They were of the view that the shortage was particularly severe at the technical level and in respect of highly skilled artisans. They said that: 'Black training

¹⁵² Ibid. p.92.

¹⁵³ Ibid. p.92.

¹⁵⁴ Ibid. p.92.

¹⁵⁵ Ibid. p.92.

¹⁵⁶ Ibid, p.93.

has to start at levels much lower than apprenticeship. We have a literacy problem in the foundry, where we employ a lower class of manual labour'.¹⁵⁷

Metal Box Company (A group with large manufacturing plants in the Western Cape)

This company also faced severe shortages of engineers and artisans such as electricians, fitters and turners, and tool-makers. In the past they had recruited overseas, but they were now reluctant to do so, not because of political pressures, but 'because it would be treating the symptoms, rather than the cause'.¹⁵⁸

Premier Milling (A group with milling and baking plants in the Western Cape)

They too complained of a skills shortage and said that this was a major problem especially at senior administrative level, and among artisans. They too referred to staff being poached by other employers. They had had to shelve projects because of the scarcity of senior administrative personnel.¹⁵⁹

Lonhro

They too experienced problems with the shortage of skilled staff. They referred to the shortage of teachers and trainers.¹⁶⁰

A striking example of the skills gaps was in the building industry. At the end of the Second World War the building industry was dominated by a division of labour between white and coloured craftsmen on the one hand, and unskilled black labourers on the other. This division was maintained by traditional craft union methods.¹⁶¹ The industry had a low capital intensity,¹⁶² and after the war there was an increasing demand for housing and services for the rapidly urbanising black working class. In

¹⁵⁷ Ibid. p.93.

¹⁵⁸ Ibid., p.94.

¹⁵⁹ Ibid. p.94.

¹⁶⁰ Ibid, pp.91-94.

¹⁶¹ The craft unions controlled training and supply of apprentices by giving on the job training and by representation on the Apprenticeship Board and committees.

¹⁶² Crankshaw, 'Apartheid and Economic Growth: Craft Unions, Capital and the State in the South African Building industry, 1945-1975,' pp.504-5.

order to ensure the provision of skilled labour in the industry, the post-war Smuts government introduced legislation to provide training for blacks in skilled trades in the industry, which the craft unions in the industry opposed.

Kane-Berman stated that two most important observations about the skills shortage were firstly, that it was to be found not only amongst skilled trades, but in professional and management occupations¹⁶³. Secondly gaps in skills cannot be remedied in the short term, since, apart from the time that technical training takes, the roots of the problem go back to the country's school system, which was not producing enough people with an adequate grounding for further educational development.¹⁶⁴ This was despite an expansion in the provision of primary education for black children in the mid-1950s, and, from 1972 onwards, expansion of secondary schooling in urban areas. There was also a marked expansion of tertiary education yet in 1960 there were fewer than 800 black students at universities, (excluding University of South Africa (UNISA), which offered correspondence courses). By 1983 there were about 20000 black university students with an additional 12700 at UNISA. Most of the expansion occurred in the 1970s.¹⁶⁵ It should be borne in mind that the improvement in the education of blacks was from a very low base, and whilst more blacks were educated, the standard of teaching was extremely poor. Blacks were advancing up the occupation ladder. Until 1960 almost all black workers had been unskilled, but by 1980 unskilled workers accounted for less than half of blacks in employment in Johannesburg and between one-half and two-thirds in other areas in the whole Pretoria-Witwatersrand-Vaal area.¹⁶⁶

¹⁶³ Kane-Berman, 'The Skills Shortage,' pp.89-94.

¹⁶⁴ Ibid, p.94.

¹⁶⁵ Seekings & Nattrass, *Class, Race and Inequality*, pp.104-105.

¹⁶⁶ Ibid, pp.106-107.

Military conscription had posed a major problem according to most of those interviewed. Krawitz of Cape Union Mart was of the view that this had created serious difficulties, especially for small businesses.¹⁶⁷ Professor Thomas was of the opinion that the Western Cape suffered more than the rest of South Africa from the consequences of conscription, as a result of its efforts to develop a more sophisticated economy in the area.¹⁶⁸ While Shell, presumably like other overseas companies, could always deal with the skills shortage by importing skilled staff from its overseas group companies¹⁶⁹, Marcus Medical only overcame the problem by employing females and older males.¹⁷⁰

When the National Party came into power in 1948, training of black artisans was suspended, and legislation was introduced to protect white workers from undercutting by employing cheaper black labour. The employment of black labour in skilled building work was restricted to black townships however legislation in 1951 allowed for the training of semi-skilled blacks outside the existing apprenticeship system, and allowed employers to be exempted from job reservation and by 1955 general exemptions could be granted to employers in the industry to employ blacks in certain skilled work in white areas.¹⁷¹ The fines imposed by government for illegally employing blacks in skilled work in the trade were relatively low. Employees could thus employ cheaper black skilled labour and pay the fines as it was still to their benefit. A contractor could cut his wage bill by 75%, if he employed black artisans,

¹⁶⁷ Interview with Krawitz on 5.4.2006, Annexure E.

¹⁶⁸ Interview with Thomas on 5.4.2006, Annexure E.

¹⁶⁹ Interview with Drake on 8.9.2006, Annexure E.

¹⁷⁰ Interview with Marcus on 20.9.2006, Annexure E.

¹⁷¹ Crankshaw, 'Apartheid and Economic Growth: Craft Unions, Capital and the State in the South African Building Industry, 1945-1975,' pp.507-8.

and would only face a fine of one hundred pounds plus, at the discretion of the officer, the difference between wages paid and the rate for skilled work.¹⁷²

The period of unprecedented economic growth in the 1960's intensified the shortage of skilled labour in the industry. The wages of artisans increased, but the craft unions lacked the power to negotiate improved conditions of employment and thus attract white apprentices. Businessmen in the building sector redoubled their efforts to change the traditional labour patterns in the industry and in 1966 they won the right to employ cheaper black labour in semi-skilled work in the Transvaal; this concession was soon extended to the Western Cape and Durban.

Over the next ten years the craft unions were forced to concede more and more skilled tasks to blacks.¹⁷³ The change in the racial division in the industry altered from a ratio of black workers to non- black workers of 1.7 in 1945 to 2.2 in 1961 and 2.8 in the early 1970s. In the 1970s employers were openly disregarding job reservation in the building industry. By 1974 the extent of the employment of (illegal) black labour can be measured by the statement of a builder on the Witwatersrand that if blacks were not employed illegally on skilled work, 50% to 75% of building sites on the Witwatersrand would have to stop working.¹⁷⁴ Notwithstanding the views of the Minister of Labour in 1950 that the employment of cheap black labour in the industry would impact on the standard of living of white artisans, as early as 1965 the state began to turn a blind eye to the employment of blacks in semi-skilled work.¹⁷⁵ Job reservation in the industry was not as severe as building contractors expected and the

¹⁷² Ibid, p.510.

¹⁷³ Ibid, pp.518-20.

¹⁷⁴ Ibid, p.521.

¹⁷⁵ Ibid, p.523.

state willingly granted exemptions to employers if they could not find suitable white labour.¹⁷⁶

The report of the Wiehahn Commission,¹⁷⁷ which was presented in June 1980, said in Part 2 that:

The general educational level of the South African labour force is very low and ... there are large numbers of workers who, for various reasons, present their services on the labour market under severe handicaps - handicaps that make it difficult for them to find jobs in the first place, to reap the full benefits of on-the-job training, and to meet the rapidly expanding demands of a full and productive working life ... According to the 1970 census figures 39.9% of the 1.9 million black male workers in urban areas had no educational qualification, while 82% had an educational qualification below the level of the eighth year of schooling, or none at all.¹⁷⁸

The Commission also was of the view that the low formal educational level of the largest segment of the South African labour force contributed to low productivity and increasing training costs for employers.¹⁷⁹

Skills shortages were exacerbated by the impact of military conscription of whites on the economy. Up to July 1989 national servicemen had to serve two years military service followed by 60 days a year for 12 years.¹⁸⁰ A further problem was the 'brain drain'. Old Mutual was affected by this and noted in its history that many skilled people emigrated as they feared the future of the country under apartheid.¹⁸¹ Industry

¹⁷⁶ Ibid, p.524.

¹⁷⁷ A Commission appointed in 1977 to investigate the wider labour reforms that were proposed by business.

¹⁷⁸ Ibid, pp.89-95

¹⁷⁹ Ibid,pp. 89-95.

¹⁸⁰ Cape Town Chamber of Commerce, Council Meeting, 22.2.90, Submission to the van Loggerenberg Committee on Nationalising the Military Commitment of Conscription, Annexure to Minutes, p.24.

¹⁸¹ Brooke Simons, Old Mutual 1845-1895, p.196.

sought to overcome the skills shortage by substituting capital for labour, but this created problems for industry in raising additional capital to finance the cost of the new machinery and equipment.¹⁸²

Wood and Glaister commented on the rapid growth in manufacturing in the 1980s which was halted by a growing skills shortage. Apartheid had opened increasing opportunities for the upward mobilisation of whites. This allowed skilled white workers to enter supervisory and administrative positions. Black labour was not effectively utilised owing to racial discrimination and the chronic lack of adequate training. The introduction of import substitution led to the creation of highly capital intensive and inefficient industries, with high production costs. These industries were dependent on the imports of machinery and raw materials, funded by gold exports. Because of the skill shortage, the apartheid government had to gradually allow coloureds and Indians to move into jobs, previously only occupied by whites. This was followed by a general relaxation of the colour bar and the de-racialisation of industrial relation legislation. The latter resulted in the increasing number of blacks moving into semi-skilled occupations by the late 1980s.¹⁸³ Prior to the 1980s blacks were generally relegated to low-wage and unskilled occupations and productivity was increased by the use of a greater number of cheap unskilled labour, rather than by expanding the pool of skilled labour. The colour bar collapsed in the 1980s and thereafter there was a gradual skilling of the black labour force. By the mid-1990s, the majority of blacks in the mining and manufacturing sector were at least semi-skilled.¹⁸⁴ Both Bonner and Maree noted the increase in black wages, after 1974, due

¹⁸² Feinstein, *An Economic History of South Africa*, p.222.

¹⁸³ Wood and Glaister, *Competitiveness and Participation - Evidence from South Africa*, pp.13-14. See records in Salt River Labour Research Service. 1988. 'Operatives Wages: April 1987 - March 1988'. Labour Research Service. 1990. 'Operatives Wages: April 1989 - March, 1990.

¹⁸⁴ Salt River Labour Research Service. 1988. 'Operatives Wages: April 1987 - March 1988,' Salt River. Labour Research Service. 1990. 'Operatives Wages: April 1989 - March 1990'.

to a range of reasons. The gold price windfall enabled the mines to increase wages in order to make greater use of South African labour. Migrant labour from Mozambique seemed less certain after independence, and the Banda regime stopped Malawians working on gold mines. There was also the knock-on effect of the 1973 strikes in the Durban area, which resulted in wage increases in that area. Management was forced to change their attitude as a result of strikes and union activity.¹⁸⁵ Wages also rose, not so much as a result of labour shortages, but because of the need for *skilled* labour. Enrolment of blacks in education had increased by 20% per annum after 1972 and state spending on black education increased significantly, which was part of the process of skilling blacks, and led to their moving upwards into higher semi-skilled and skilled occupational categories.¹⁸⁶ The rise in black wages also led to the move to more capital intensive production, which caused productivity gains, and in turn leading to rises in wages.¹⁸⁷

¹⁸⁵ P. Bonner, 'Overview: Strikes and the Independent Trade Unions,' in Maree (ed.), The Independent Trade Unions, p.32.

¹⁸⁶ J.Hofmeyr, 'The Rise of African Wages 1974-1985,' pp.198-215.

¹⁸⁷ T. Bell, 'Capital Intensity and Employment in South Africa,' pp.127-145.

(d) GROUP AREAS ACT

This act was described by Bunting as establishing racial ghettos in which ownership and occupation of land was restricted to a certain population group.¹⁸⁸ The terms of reference of a Technical Committee set up in 1981 to investigate the Group Areas Act and other legislation said that: 'The South African community can best be ordained and served on a basis of our traditional way of life of residential separation'.¹⁸⁹ To achieve the objects of the Act hundreds of thousands of people were moved from their homes to other areas.¹⁹⁰

In terms of this legislation the central business districts of many towns in the Cape were closed to coloured and Indian businesses. There were also severe restrictions on blacks trading; they were also not allowed to trade in white areas, and in 1963, blacks trading in their own areas were restricted to one-man shops and prohibited from trading in anything but "daily domestic necessities". It is remarkable that the black trading community survived and expanded, but between 1977 and 1980 most of the restrictions on black trading were relaxed. The difficulties confronting non-white businessmen were exacerbated by the establishment of supermarkets on the boundaries of the non-white areas.¹⁹¹ Dr.Sam Motsuenyane, the president of the National African Federated Chamber of Commerce (NAFCOC), said at a function in Johannesburg in April 1987 that :'If the future of the free enterprise system in South Africa was to be preserved, government and the private sector would have to work towards integrating Africans in the mainstream of commerce and industrial life'.¹⁹² Rosholt, chairman of Barlows, said at the same function that blacks perceived big

¹⁸⁸ Bunting, *The Rise of the South African Reich*, p.161.

¹⁸⁹ Report of the Technical Committee of Enquiry into the Group Areas, 1966, *The Reservation of Separate Amenities Act, 1953 and Related Legislation*, p.1.

¹⁹⁰ Bunting, *The Rise of the South African Reich*, p.161.

¹⁹¹ Davenport, *South Africa, A Modern History*, pp. 514-515.

¹⁹² South African Institute of Race Relations, *A Survey of Race Relations: 1987-1988*, p.385.

business as an extension of government.¹⁹³ Overall coloured and Indian businessmen were very critical of the application of apartheid policies to their businesses. The Association of Chambers of Commerce of South Africa (ASSOCOM) pressed for free trading areas in evidence to the Technical Committee referred to above, as the restrictions in place on free trading were not conducive to the growth of business throughout the country. The Cape Town Chamber of Commerce was severely critical of the declaration of the centre of Cape Town as a white area and complained about the effect this action had on Indian and coloured businesses. They wrote a letter complaining about this in April 1964 to the local Group Areas Committee.¹⁹⁴ The government had established open trading areas in 1983 to accommodate disqualified traders who due to lack of trading potential, could not be settled in their own group areas. Such open trading areas did not at that time exist in the Western Cape,¹⁹⁵ another adverse factor affecting Western Cape business. By 1986 there had been a change and free trade areas had been opened in Cape Town in the City Centre, Wynberg, Claremont and Sea Point, though not in adjoining areas, a matter of concern to the Cape Town Chamber of Commerce,¹⁹⁶ The Chamber addressed a letter to the Cape Town City Council on 20 April 1989 supporting the initiative of the City in approaching government to declare the City an open area and to rescind the application of the Group Areas Act to the City of Cape Town.¹⁹⁷

The Group Areas Act provided opportunity for property developers and estate agents to purchase properties very cheaply in coloured areas and Simon also noted that many

¹⁹³ Ibid, p.385.

¹⁹⁴ Commercial Opinion, April, 1964, p.7.

¹⁹⁵ Report of the Technical Committee of Enquiry into the Group Areas, 1966, The Reservation of Separate Amenities Act, 1953 and Related Legislation, pp.12,17.

¹⁹⁶ Cape Town Chamber of Commerce, Council Meeting, 27.11.86, p.57.

¹⁹⁷ Cape Town Chamber of Commerce, Council Meetings, 27.11.86, p.57; 20.4.89. Annexure to Minutes, p.34.

whites made substantial profits out of Group Areas Act removals.¹⁹⁸ Krawitz, of Cape Union Mart, said that the major impact of the Group Areas Act was to move the poor far from their work. Initially government subsidised the additional costs, but this did not last and employers had to meet the additional transport costs.¹⁹⁹ Professor Giliomee shared this view and said that the Group Areas Act moved the poor far from their places of employment, in contrast to the position, elsewhere in the world, where generally the poor lived close to their work.²⁰⁰ Shell could not own property in non-white areas, but they overcame this by trading through dealer-owned sites.²⁰¹ By virtue of the Group Areas Act, the trading activities of major supermarket chains', such as Pick'n Pay, were restricted to only 40% of the country. In addition the act restricted their financing of houses for managers of colour.²⁰² Ackerman of Pick n'Pay was in favour of a 99 year lease for blacks in white areas, and discussed this proposal with Prime Minister Vorster. Ackerman was of the view that this proposal could stabilise the position in black areas.²⁰³

¹⁹⁸ Simon, 'Crisis and Change in South Africa, Implications for the Apartheid City, pp.191.

¹⁹⁹ Interview with Krawitz on 5.4.2006, Annexure E.

²⁰⁰ Interview with Giliomee on 31.3.2007, Annexure E.

²⁰¹ Interview with Drake on 8.9.2006, Annexure E.

²⁰² Interview with Ackerman on 24.10.2006, Annexure E.

²⁰³ Ackerman, Hearing Grasshoppers Jump, pp.159-160.

(e) COLOURED LABOUR PREFERENCE POLICY

One of the distinguishing features of Western Cape society and politics was the coloured labour preference policy. This policy was a component of the National Party government's apartheid policy. It was announced by the Secretary of Native Affairs, W.W. Eiselen, in January 1955.²⁰⁴ The first goal of the policy was to prevent the movement of blacks to the Western Cape, and secondly it was hoped that it would bolster the participation of coloureds in the Western Cape economy and protect them from competition from blacks. In the view of Humphries there was a further implicit, rather than explicit, goal which was to preserve the Western Cape as one area of South Africa where whites were numerically superior. This was linked to the bizarre proposal of partitioning South Africa.²⁰⁵ The impact of this policy can be seen in the employment data for the manufacturing, water and gas sectors for the Cape Peninsula for the period from 1961 to 1980.²⁰⁶

²⁰⁴ Eiselen justified the policy by stating that: 'The coloureds as a local population have a moral right to demand that their workers' interests be protected against the natives'. He also said that: 'Early termination of the symbiosis between Coloureds and native is advisable as it has a demoralising effect on both'; See M. West, 'From Pass Courts to Deportation: Changing Patterns of Influx Control in Cape Town,' pp.463-4).

²⁰⁵ R. Humphries, 'Administrative Politics and the Coloured Labour Preference Policy during the 1960s,' in W.G. James and M. Simons (Eds) The Angry Divide, p.180.

²⁰⁶ W. A. van der Westhuizen, Employment Data for the Manufacturing, Water, Gas Sectors, Western Province, 1964-82, p.19.

Details are as follows (table 5):

TABLE 5: TOTAL EMPLOYED

YEAR	WHITE	COLOURED/INDIAN	BLACK
1961	30059	73224	23038
1965	34944	103739	27157
1970	40508	134007	27879
1975	44009	157083	29277
1980	39796	155612	22894

Minister Coetzee announced on 21 December 1966 that each year the number of blacks employed in the Western Cape was to be reduced by an average of 5%, a policy to apply only to contract workers. In a previous statement he said that the black labour complement of Western Cape employers was to be 'frozen' as from 31 August 1966.²⁰⁷

The implementation of the policy resulted in a freeze on black family housing, and was accompanied by strict and harsh implementation of the influx control legislation. The Western Cape was the first area where passes for black women were required. There was a shift in the area to the use of migrant labour, a very cumbersome procedure for employers in the Western Cape if they wished to employ black labour. They had to obtain a certificate from the Department of Labour that stated that there was no suitable coloured labour available, then had to present the certificate to the local black Labour Officer, who had to see if qualified local black people were available, before authorising the recruiting of migrant black labour. Although the

²⁰⁷ South African Institute of Race Relations, A Survey of Race Relations, 1967, p.169.

system was harshly enforced for more than a quarter of a century, the flow of blacks to the Western Cape was not reversed and there were a large number of blacks working illegally in the Western Cape.²⁰⁸ The strain this legislation placed on black employees and their families and on employers cannot be measured. West said that there were an estimated quarter of a million pass arrests in the area from 1967 to 1975 and in 1980 alone 16327 were arrested. During that year R283576 was paid in fines by blacks illegally in Cape Town.²⁰⁹

As part of the National Party's policy regarding blacks in the Western Cape, Piet Koorhof announced in 1983 that all blacks in the Cape Peninsula are to be relocated to Khayelitsha, a new township 35 kilometres from Cape Town. The announcement was greeted with disbelief. It would create anger and bitterness in the settled communities at Guguletu, Nyanga and Langa and there was a tendency to dismiss the whole exercise as bureaucratic madness. Van Niekerk said that: 'Surely not even the Nationalist government in these times of 'reform' - and on the doorstep of the country's largest metropolitan area - contemplate uprooting and resettling more than 200000 people'. He also said that the plan could be seen as being consistent with official attitudes and actions against blacks in the area and could be interpreted as the 'final solution'.²¹⁰

Furthermore the particularly harsh application of influx control in the area, as seen in the endless pass raids, was not an aberration of the official policy of influx control, but reflected a particular regional condition. Influx control and pass laws were cornerstones of apartheid and had three distinct aims: labour control, containment of the black population within the Bantustans and national security. All three were

²⁰⁸ M. West, 'From Pass Laws to Deportation: Changing Patterns of Influx Control in Cape Town,' p.464.

²⁰⁹ G.P. Cook, 'Khayelitsha: Policy Change or Crisis Response?,' p.58.

²¹⁰ P. van Niekerk, 'Western Cape Influx Control,' p. 45.

present in the influx control policies in the Western Cape, and are exemplified by the creation of Khayelitsha.²¹¹ The policy was implemented with the vague proviso that its effect would not be detrimental to the economy of the Western Cape. In 1982 Fanie Botha, Minister of Manpower, told a meeting of business leaders in Cape Town that there was a shortage of unskilled labour in the Cape Peninsula, unique in a country where there is so much unemployment. He also said that the Western Cape is stagnating, but he was not sure as to how much this was due to an artificial shortage of certain kinds of labour, or how much it was due to other factors, such as distance from the economic centre.

What irritated the business community at that time was that 3000 applications to employ blacks in the Cape Peninsula were turned down whereas, in the rural areas of the Western Cape not a single application to employ 59000 blacks was refused. According to van Niekerk the continuation of this policy was due to the intransigent attitude of the Cape Nationalist Members of Parliament, and their desire to maintain the Western Cape as a white homeland, where blacks would always be in the minority. The chief proponent of the coloured labour preference policy was Alex van Breda, Member of Parliament, who said that: 'The policy is designed to protect the coloured in his natural habitat': the stumbling block to scrapping the coloured labour preference policy was the apartheid hard-liners, who allowed their racist ideology to get in the way of free enterprise.²¹²

The policy was again referred to in the White Paper on the Report by an Inter-Departmental Committee on the Decentralisation of Industries issued in 1972. In this document reference was made on the one hand to the importance of industrial

²¹¹ Ibid, p.45.

²¹² Ibid, p.47.

development proceeding with the least possible obstruction, but on the other hand it recorded that the employment of blacks in the Western Cape was to be relatively restricted. In the words of the White Paper: 'This area (Western Cape) must be looked on as mainly the employment sphere of the whites and coloureds and the industrial development in the area will have to be adjusted to this pattern of labour supply'.²¹³ This policy remained in force until September 1984.²¹⁴ The Western Cape Association of Local Bantu Administrators reported that: 'Unless a limitation is to be placed on the economic development of the region, that serious problems in the successful implementation of the policy can be expected in the present and immediate future'.²¹⁵ Wesgro noted that the systematic restriction of black migration to the Western Cape slowed population growth and curtailed the supply of (low-wage) unskilled labour.²¹⁶ The problems that the coloured labour preference policy and job reservation created for commerce and industry in the Western Cape were enormous, as recorded in the minutes of the meeting of the Council of the Cape Town Chamber of Commerce held on 9 February 1967. when a member raised a concern in that his company was not allowed to employ black drivers notwithstanding the fact that suitable coloured drivers were not available.²¹⁷ Further, at a meeting of Council of the Chamber held on 8 October 1970, it was noted that there were problems in getting permits for black drivers when coloured drivers were not available. At that meeting it was also reported that this was a long standing complaint.²¹⁸ In the Chamber of Commerce's Annual report for 1973/74 it recorded that: 'Official restrictions on the employment of non-

²¹³ White Paper on the Report by the Inter-Departmental Committee on the Decentralisation of Industry, p.10.

²¹⁴ Humphries, 'Administrative Politics and the Coloured Preference Policy during the 1960s,' in James and Simon, p.180

²¹⁵ Ibid, p.178.

²¹⁶ Bridgman et al, *South Africa's Leading Edge ?*, p.42.

²¹⁷ Cape Town Chamber Of Commerce, Council Meeting, 9.2.67, p.456.

²¹⁸ Ibid, 8.10.70, p.995.

whites and lack of training facilities lead to a shortage of skilled and semi-skilled workers'. In this report it also noted that immigration was not meeting the need.²¹⁹ At a meeting of the council of the Cape Town Chamber of Commerce held on 24 February 1977, concern was expressed as to the lack of training facilities for blacks who were only expected to do labouring work, which were the only jobs government would let them do in the Western Cape.²²⁰ At a meeting of the Council of the Chamber held on 25 August 1977 it was reported that blacks could only be employed in the Cape in exceptional circumstances and that the authorities regularly refused to grant certificates to employ blacks, particularly if they were contract workers.²²¹ The Chamber also raised concerns in the Annual Reports for 1976/7 and 1978/9 that the coloured labour preference policy had an adverse effect on the employment opportunities of blacks and also on their living conditions and this, in the view of the Chamber, was a matter of urgency and needed action, if social stability was to be assured.²²² The concerns of the members of the Chamber as to the impact of apartheid on their labour supply continued and they proposed a motion to the Cape Regional Congress of Assocom on 20 July 1978 calling for blacks to be permitted to compete for jobs in the Western Cape on an equal basis with other work seekers in the area.²²³ Above all business needed stable social conditions to prosper and even to survive.

Whilst the Cape Chamber of Industries (CCI) found in a survey conducted amongst its members that in 1969 there was no evidence that job reservation as such had

²¹⁹ Cape Town Chamber of Commerce, Annual Report, 1976/7, p.1, 1973/4, p.1.

²²⁰ Cape Town Chamber of Commerce Council Meeting, 24.2.77, p.487.

²²¹ Cape Town Chamber of Commerce Council Meeting, 25.8.77, p.22.

²²² Cape Town Chamber of Commerce, Annual Report, 1978/9, p.9.

²²³ Cape Town Chamber of Commerce Council Meeting on 20.7.1978, p.109.

adversely affected the labour position in the Western Cape.²²⁴ It was concerned as to the impact that the coloured preference labour policy had on the Western Cape. The CCI's views on the effects of job reservation was not shared by the Cape Town Chamber of Commerce, who called for the removal of job reservation²²⁵. In the words of the President of the Chamber in 1962 the government should remove job reservation and its implications: 'Which deter private enterprise from playing its part fully in raising the living standards of our people',²²⁶ and in an address by the President of the Chamber in 1959 he said that: 'Job reservation was morally wrong and economically indefensible'.²²⁷

The CCI conducted the survey referred to above in October, 1969 and said that 85.7% of members participating in the survey had difficulties in filling labour requirements in the following areas: professional and semi-professional categories, administrative and clerical (both higher and lower levels), skilled trades, operators and semi-skilled workers, and unskilled workers.²²⁸ The CCI also noted in the survey that there were certain types of work that coloured males are unwilling to undertake and where black employees are essential. Some of these categories were handling goods in cold storage, loading and unloading coal, night watchmen, stevedoring, handling heavy bales of materials, concreting, general quarry work, and a number of other activities requiring physical strength. Of the participants in the survey, 68% said that for certain

²²⁴ Cape Chamber of Industries, Report of the Chamber of Industries' Labour and Non-European Affairs Committee on an Investigation of Labour Shortage in the Western Cape in Industry and Related Matters, p.18.

²²⁵ Commercial Opinion, April, 1964, p.7; June, 1964, p.7.

²²⁶ Commercial Opinion, June, 1962, p.5.

²²⁷ Commercial Opinion, May, 1959, p.7.

²²⁸ Cape Chamber of Industries, Report of the Chamber of Industries' Labour and Non-European Affairs Committee on an Investigation of Labour Shortage in the Western Cape in Industry and Related Matters, p.4.

types of work coloureds were unsuitable and black workers were essential.²²⁹ In addition the participants said that: 'Bantu are regarded as essential for "heavy" and "unpleasant" work'. The survey also noted that: 'Coloureds are unwilling to undertake heavy, unpleasant and monotonous work'.²³⁰ In the report on the survey the CCI asked for a relaxation of government policy to bridge the gap between current unskilled labour policies and the projected coloured population increase. This survey was conducted in 1969, but a number of years were to pass before the law was to change. There has been much criticism of business on its approach to apartheid, but there is no doubt that the coloured labour preference policy had a major impact on business and commerce and industry in the Western Cape. The report on the survey did not call for the abandonment of government policy, but flexible application of the policy.²³¹ The CCI did not want to upset the government, but it did raise its concerns during 1971 at a meeting with the heads of six government departments, stating in their view that the decentralisation concessions would not work and there was a need for black labour in the Western Cape.²³² Pretorius referred to the cautious attitude of the Federated Chamber of Industries (FCI) and noted that the director of the FCI in 1976 reaffirmed the organisation's traditional inclination against public intervention in political issues.²³³ The CCI referred, in its Year Book for 1978/79, to the difficulties in getting a certificate that coloured labour was not available, when an employer wished to employ black labour,²³⁴ and by 1981 the shortage of skilled labour was still a major

²²⁹ Cape Chamber of Industries, Report of the Chamber of Industries' Labour and Non-European Affairs Committee on an Investigation of Labour Shortage in the Western Cape in Industry and Related Matters, pp.12-13.

²³⁰ Ibid, p.24.

²³¹ Cape Chamber of Industries, Report of the Chamber of Industries' Labour and Non-European Affairs Committee on an Investigation of Labour Shortage in the Western Cape in Industry and Related Matters. p.24.

²³² Cape Chamber of Industries, Year Book, 1971/72, p.15.

²³³ L. Pretorius, 'The Head of Government and Organised Business,' pp.224-225.

²³⁴ Cape Chamber of Industries, Year Book, 1978/79, p.53.

problem for industry in the Western Cape, creating bottlenecks in the area's economic progress.²³⁵

The Cape Town Chamber of Commerce, at a Regional Congress of Chambers of Commerce in the Western Cape held in September 1962, called for industrial, commercial and other undertakings, including the hotel industry, not be deprived of 'Bantu' labour, while alternative labour was not available. This resolution was adopted by the Congress.²³⁶ Even as late as 1985 the urgent need to provide employment for urban blacks in the Western Cape was raised at a meeting of the Council of the Cape Town Chamber of Commerce.²³⁷

On the practical side, Neate, Chairman and Managing Director of Imperial Cold Storage, said that the major impact of the coloured labour preference policy was that it created major difficulties for the company in obtaining milk deliverers: at that time door-to-door delivery of milk was used, and it was only with great difficulty, much effort and long meetings with government representatives, that they were able to employ black milk deliverers.²³⁸ In a case study on Crons Dairies, in the Western Cape, Cronwright noted that whilst the coloured labour preference policy was introduced in 1955, the milk industry did not experience problems in obtaining labour at that stage. Later the controls were more strictly enforced. Black labour had to be authorised by the City Council, but Crons Dairies still experienced no difficulty in obtaining black labour. The establishment of the Black Affairs Administration Boards in 1972 brought about stricter controls, with a one-year contract labour system. The severity of the restrictions on the employment of black labour was exemplified by the controls introduced in 1977, whereby, unless the worker had been previously

²³⁵ Cape Chamber of Industries, Year Book, 1981/82, p.9.

²³⁶ Commercial Opinion, September, 1962, p.5.

²³⁷ Cape Town Chamber of Commerce, Council Meeting, 19.9.1985, p.38.

²³⁸ Interview with Neate on 2.3.2006, Annexure E.

employed by the same employer, he/she could not be re-employed. It was alleged that this measure was introduced due to the large number of blacks, who were 'qualified' to be in the Western Cape, but who were unemployed. The tightening of the controls with introduction of the Bantu Affairs Administration Boards, combined with the 'Africanisation' of the administration in the Transkei, resulted in delays of up to three months in obtaining clearance for black workers to return to a dairy. In fact workers had to be personally fetched from the Transkei in times of labour shortages in the dairy industry. From 1908 (when company was established) to 1977 Crons Dairies never had to use the local labour bureau for recruitment purposes. All labour was obtained by word of mouth, with a waiting list, but with the introduction of the restrictions in 1977, this all changed. For Crons Dairies there was the prospect that the type of labour traditionally used in the industry would not be available. With new blood not available, and urban blacks and coloureds not interested in early morning shift-work, the future of the home delivery of milk seemed likely not to continue, and this is what occurred.²³⁹

Krawitz of Cape Union Mart said that his company was severely affected by the coloured labour preference policy. He said that the coloured community was not keen on jobs requiring manual labour. There was a large pool of blacks available, but it was a major administrative burden to get permits, which were needed to employ them. There was even a service industry which assisted businesses to obtain permits.²⁴⁰

Professor Thomas said that there was a stigma in the coloured community in undertaking manual labour and the business community were forced to apply to government to employ blacks.²⁴¹ Drake of Shell, said that job reservation and the

²³⁹ R. Cronwright, 'The Changing Techniques of Milk Distribution Industry over the Past 30 Years and the Consequent Labour Implications,' pp.51-52.

²⁴⁰ Interview with Krawitz on 4.4.2006, Annexure E.

²⁴¹ Interview with Thomas on 6.4.2006, Annexure E.

coloured labour preference policy did not have a major impact on Shell. The oil industry, other than its mining operations, was capital intensive, and if they experienced skill shortages they could always import skills from the overseas resources in the international Shell group. As far as the Western Cape was concerned they did not have plants in the area, their major depots being at Alberton in the Transvaal and at Durban, with their refinery in Natal.²⁴² Marcus of Marcus Medical said that the coloured labour preference policy did not have any impact on the company.²⁴³ Ackerman said that job reservation and the coloured labour preference policy made it difficult to run a business,²⁴⁴ and Gerald Shaw, who held senior editorial posts with the Cape Times, said that they had difficulty in employing black journalists, as they could not obtain the authority of the authorities to employ these journalists.²⁴⁵

With regard to job reservation, and in particular the coloured labour preference policy in the Western Cape, Giliomee said that these policies were purely ideological and political, and that the coloured labour preference did not succeed in stemming the flow of black immigration to the Western Cape and created a skills shortage and by the mid-1970s coloureds were being more and more used in administrative positions.²⁴⁶

²⁴² Interview with Drake on 8.9.2006, Annexure E.

²⁴³ Interview with Marcus on 20.9.2006, Annexure E.

²⁴⁴ Interview with Ackerman on 24.10.2006, Annexure E.

²⁴⁵ Interview with Shaw on 4.4.2007, Annexure E.

²⁴⁶ Interview with Giliomee, Annexure E.

(f) DECENTRALISATION POLICY

In 1972 in a White Paper on the report of an Inter-Departmental Committee on Decentralisation of Industry, the government stated that it attached great importance to a high, but balanced rate of economic progress for South Africa. It noted in the White Paper that, without a decentralisation policy, economic development would only take place in existing developed centres. The White Paper recorded that:

For economic, social and political reasons, however, it is necessary that economic development should also take place within or near the areas with large non-white population concentrations, especially Bantu.

The White Paper stressed that the manufacturing sector would play an important role. It stated that the process of decentralisation should not harm development in white areas.²⁴⁷

Van Zyl commented that political considerations were paramount in the efforts to develop the Bantustans economically.²⁴⁸ The decentralisation policy was all part of the grand apartheid plan to relocate the blacks to the Bantustans areas, regardless of the cost to the state or the human distress it caused. In van Zyl's words: 'It was hoped that industrial decentralisation would actually reverse the black rural-urban migration',²⁴⁹ but this was a forlorn hope. As Houghton said: 'Industrialisation of the African areas are absolutely essential to the success of the scheme of separate development'.²⁵⁰ The attraction of industries to the Bantustans and border areas would impact adversely on the Western Cape. Even if it tried to attract industries to the border areas, the government assured their support base, the whites, that their sphere of employment

²⁴⁷ White Paper on the Report by the Inter-Departmental Committee on the Decentralisation of Industries, p.1.

²⁴⁸ Van Zyl, 'Industrial Decentralisation, Homeland Poverty and Urban Growth: Review and Appraisal,' p.1.

²⁴⁹ Ibid, p.3.

²⁵⁰ D.H. Houghton, The South African Economy, p.260.

would be protected.²⁵¹ The government was aware that a problem might arise in providing employment for coloureds in the Western Cape, but in the White Paper on the Report by the Inter-Departmental Committee on the Decentralisation of Industry they did not, at this stage, recommend the establishment in the Western Cape of any growth points, that would enjoy decentralisation benefits.²⁵²

The basis of the government's policy was that the blacks should live and work in the Bantustans and every effort must be made to provide employment for the maximum number of blacks in or near their Bantustan. Accordingly in terms of this policy, industrial growth should be diverted from existing development areas. The use of black labour in Bantustan areas would be subjected to fewer restrictions than those that applied in existing developed areas, to the extent of allowing blacks to do more skilled work.²⁵³

The White Paper also stated that the Physical Planning and Utilisation of Resources Act of 1967 decreed that blacks might not be employed in new industries in white areas without the approval of the Minister, and that existing industries in those areas might not increase their black labour force unless the Minister agreed.²⁵⁴ This legislation, in conjunction with Physical Planning Act No.88 of 1967, which controlled the use and zoning of industrial land, also placed restrictions on the creation of jobs for blacks in metropolitan areas.²⁵⁵ The Physical Planning Act restricted the expansion of labour intensive industries in the main urban areas. Almost all the firms that moved to growth points did so because of incentives, and more than

²⁵¹ White Paper on the Report by the Inter-Departmental Committee on the Decentralisation of Industries, p.2.

²⁵² Ibid, pp.2-3.

²⁵³ White Paper on the Report by the Inter-Departmental Committee on the Decentralisation of Industries, p.4.

²⁵⁴ Ibid, p.9.

²⁵⁵ R. Tomlinson and J. Hyslop, Industrial Decentralisation, Bantustan Policy and Control of Labour in South Africa, pp.17-18.

50% of firms in growth points depended on subsidies in order to survive. Firms being subsidised had fewer incentives to produce goods cost-effectively. The weak economy in the 1970s onwards, high costs and difficulties in importing new machinery, influenced conglomerates towards acquisitions, mergers and rationalisation, rather than expanding into new industries.²⁵⁶

The Minister could grant the following concessions:

Cash grant to compensate industrialists for immediate and direct costs of removal of their factory and personnel;

loans for land (excluding land within the Bantustans), buildings, plant and operating capital at interest rates from nil to the ruling bank lending rate;

loans to a maximum of R15000 per dwelling for white key personnel, these loans to be repayable over 20 years, with interest charged at 2.5% below the official building societies' lending rate;

railage rebate of up to 15%;

on goods manufactured in the Transkei/ Ciskei and shipped through East London, a rebate of 25% on port charges;

a price preference of up to 5% on State tenders;

and tax concessions providing for a reduction in tax payable over seven to ten years, and increased tax investment allowances over those enjoyed by other taxpayers.²⁵⁷

These concessions were not highly successful in attracting industries to the border areas, mainly due to the fact that the concessions were inadequate to compensate for

²⁵⁶ M. Addleson, 'Decentralisation Incentives, Industrialists Plans and the Location of Manufacturing Activity,' pp.174-186.

²⁵⁷ White Paper on the Report by the Inter-Departmental Committee on the Decentralisation of Industries, pp.19-20.

the benefits effect of investing in the metropolitan areas,²⁵⁸ notwithstanding the views of Dr. P.L.Rautenberg of the government, who said that industrial decentralisation was an unqualified success.²⁵⁹

In 1982 these concessions were increased to make it even more attractive to industrialists to invest in the Bantustan areas. The changes were:

rail rebates now 40 - 60%;

employment incentives for 7 years, 80-95% of total wage bill to be paid by the state, with a maximum amount per worker, per month of R30-R110;

rental and interest subsidy of 15 - 80% per month for 10 years; housing subsidy of 20 - 40% of interest rate; training grants;

relocation allowances; and

price preferences on tenders of 4 - 10%.

In the 1984/85 financial year the government proposed to spend more than R250 million on incentives for industrial decentralisation,²⁶⁰ but the Western Cape did not materially benefit. The approach to the migration of blacks to the cities was a carrot and stick approach. On the one hand there were the tax and other decentralisation concessions and on the other hand there was the Physical Planning and Utilisation of Resources Act, which created barriers to the employment of blacks in urban areas.²⁶¹ The Western Cape lost out on most of these material benefits. Wesgro commented in 1992 that the strategy of industrial decentralisation had diverted development to the Bantustans areas away from the Western Cape.²⁶²

²⁵⁸ Van Zyl, 'Industrial Decentralisation, Homeland Poverty and Urban Growth : Review and Appraisal,' p.5

²⁵⁹ Commercial Opinion, February, 1970, p.3.

²⁶⁰ Van Zyl, 'Industrial Decentralisation, Homeland Poverty and Urban Growth: Review and Appraisal,' p.10.

²⁶¹ *Ibid*, p.4.

²⁶² Bridgeman et al, South Africa's Leading Edge?, p.42.

The only growth point that was established in the Western Cape was at Atlantis. When it was originally established in the 1970s industrialists took advantage of the generous decentralisation benefits; more than 108 large and small enterprises were set up, and another 24 enterprises were in the course of construction. It was, however, reported in 1984 that Atlantis had been hard hit by the recession: factories were closing down, workers were working short-time and over 1500 workers had been retrenched.

Unemployment in the government's showpiece had reached crisis proportions, and job prospects were poor. At least 12 factories had retrenched workers, closed or were working short-time. Those firms who had retrenched workers included Atlantic Diesel Engines (ADE), the major enterprise established at Atlantis. ADE, the largest employer in the area, was most severely affected by the recession. It was established in 1978 under the auspices of the Industrial Development Corporation, to manufacture truck and tractor engines with a capital outlay of R400 million. Notwithstanding the backing it received, it was not able to make a profit. Over 1983 and 1984 it had retrenched one-third of its workforce. The manager of ADE explained the necessity of the retrenchments by blaming the general recession and the effect it had on the tractor and truck sector, the drought, the cancellation of contracts and the fact that they had been running at a loss. Generally the reasons given by other companies for retrenchments varied: contracts had been cancelled; interest rates had increased; competition from larger enterprises had caused smaller enterprises to close; and generally there was a shrinking market.²⁶³ Many completely uneconomic industries were established in the Bantustan areas, but enjoyed good profits due to these concessions. It appeared that the more inefficient these relocated industries were in controlling costs, the more profit they made. Whilst industries were attracted to the

²⁶³ M. Golding and F. Peterson, 'Black Christmas for Atlantis Workers,' pp.28-29.

Bantustans areas, they were mostly of a fly-by-night nature and often relocated after the incentive period expired.²⁶⁴

At a meeting of the Cape Town Chamber's Council held on 8 June 1967 it was noted that the Chamber had a meeting with the Minister of Planning, Dr de Wet, on 23 May 1967. At that meeting the Chamber stressed that whilst the Chamber accepted the principle of decentralisation, its implementation had caused problems. Concern was also expressed as to the negative impact decentralisation would have on economic development. Dr. de Wet's response at the meeting was extremely negative in that he said that no useful purpose would be served in any prior discussion of the subject with the Chamber, as he knew Commerce's views and that the priority of the future of the country outweighed any economic considerations. He, however, also said that it was not the government's intention to curtail or hamper industrial development, but in his view labour could not be brought to industry, the reverse must apply.²⁶⁵ The Cape Chamber of Industries at a Mid-Year General Meeting held on 28 July 1960 expressed concern at the decentralisation policies. They were of the view that these concessions could create industries with an unfair competitive advantage over existing industries. It was noted that the Prime Minister had said on 3 June 1960 that : 'A programme, which merely involves the large-scale transfer of existing factories from present industrial centres to centres in border areas, would have none of the stimulating and cumulative effects associated with economic development'.²⁶⁶ In practice in many cases this is what happened. Factories were merely moved from urban areas to border areas, and the decentralisation benefits were enjoyed.

²⁶⁴ G. Maasdorp, 'Economic Survey, 1970-2000,' in S. Jones (ed.) The Decline of the South African Economy, p.12.

²⁶⁵ Cape Town Chamber of Commerce, Council Meeting, 8 June 1967, pp.567-568.

²⁶⁶ Cape Chamber of Industries Mid-Year General Meeting, 28.7.60, pp.7-9.

Bunting stated in the October 1968 issue of the journal *Report from South Africa*, that there were 300 factories in border areas employing 126000, but that these numbers were not impressive in comparison to the whole South African economy.²⁶⁷

Whilst the results of the decentralisation policy were overall not impressive, they did divert investment from urban areas and as far as the Western Cape is concerned they obviously attracted investments away from that area.

Krawitz of Cape Union Mart was of the view that the decentralisation benefits created an unsustainable business model. The government used business to achieve political ends and most of the assisted businesses did not survive. In addition they provided unfair competition to businesses in urban areas.²⁶⁸ Professor Hermann Giliomee said that the decentralisation policies, as applied in South Africa had not worked.²⁶⁹ In 1970, the *Volkshandel* (organ of the Afrikaanse Handelsinstituut, the national Afrikaner business organisation) said that the decentralisation policy had caused a decline in investment in the industrial sector and could lead to stagnation in white urban areas.²⁷⁰ Professor Thomas was of the view that the decentralisation benefits were disadvantageous to labour-intensive Western Cape industries.²⁷¹ Drake, of Shell, said that the financing of the Bantustans and the security establishment and border industry incentives, diverted resources from education and other socio-economic needs.²⁷²

There was doubt as to the effectiveness of the decentralisation benefits and Shaw referred to the Tomlinson Commission, set up in 1954 to investigate the socio-economic development of the Bantustans, and to discussions he had had with Dr.

²⁶⁷ Bunting, *Rise of the South African Reich*, p.501.

²⁶⁸ Interview with Krawitz on 5.4.2006, Annexure E.

²⁶⁹ Interview with Giliomee on 31.3.2007, Annexure E.

²⁷⁰ Welsh, 'Political Economy of Afrikaner Nationalism,' in A. Leftwich (ed.) *South Africa*, p.270.

²⁷¹ Interview with Thomas on 5.4.2006, Annexure E.

²⁷² Interview with Drake on 8.9.2006, Annexure E.

Tomlinson, who said that even if white capital had poured into the Bantustan areas, and industries had been set up, the best hope there was that one-third of the rural population of the Bantustans would move into industry. Millions would have to be invested, and Shaw doubted that whites would have been prepared to make this sacrifice. Even then, no magisterial district in South Africa would have a majority of whites.²⁷³ The Tomlinson Commission at the end of its report stated that:

It is the conviction of the Commission that the development programme must be tackled in the spirit of an act of faith, in the same manner in which many other great undertakings in the Union have already been launched as acts of faith at times when the chances of success were at their minimum.

The Commission also stated that: 'The choice is clear, either the challenge must be accepted, or the inevitable consequences of the integration of the Bantu and European population groups into a common society must be endured'.²⁷⁴ Holden was of the view that the evidence he had obtained on the efficiency of the decentralisation benefits was mixed. The estimates of output per unit in the Bantustans and the rest of South Africa, show that generally the infant industry argument²⁷⁵ for protection was not valid for the period 1976 to 1979. His research suggested that if industry was being subsidised in order to eventually become efficient, the strategy would fail. The exception, he said, was Ciskei, which experienced a higher rate of growth of output than did the rest of South Africa.²⁷⁶ Business enterprises were attracted to Ciskei because of its extremely generous tax regime, but whether the profits these businesses earned arose only from trade in the Ciskei is a moot point.

²⁷³ Interview with Shaw on 4.4.2007, Annexure E.

²⁷⁴ Middlemann, 'Integration must be Acknowledged,' *Cape Times*, 25.10.1975, p.9.

²⁷⁵ The infant industry argument means that new industries need financial and other support in order to survive.

²⁷⁶ M.G. Holden, 'Infant Industry Characteristics and Decentralisation Benefits in South Africa,' p.281.

(g) OTHER EFFECTS OF APARTHEID

Civil disturbances affected all the companies whose representatives were interviewed, particularly in the later years of apartheid, although Thomas said that the Western Cape was not as badly affected by civil disturbances as other parts of South Africa.²⁷⁷

Neate, of Imperial Cold Storage, said that apartheid brought stability to the country, but in later years it broke down.²⁷⁸ Marcus Medical had problems in their sales representatives going into certain areas to provide technical assistance.²⁷⁹

Giliomee said that if more liberal policies had been adopted in South Africa in the period of apartheid rule there would never have been stability. If the United Party had come into power in 1948, there would, in his view, not have been a stable environment in South Africa. He said that the United Party would have introduced a qualified franchise by the early 1960s. If this had occurred, the position in South Africa would have been very unsettled, somewhat like what occurred in Argentina. If the South African society had structurally changed in the 1970s, it would have faced the larger evil of communism.²⁸⁰ Shaw does not agree with this view, and said that the United Party had right-wing sentiments, particularly after the more liberal elements broke away to form the Progressive Party in 1959 and it was extremely unlikely that, if they were in power, they would have introduced a qualified franchise.²⁸¹

Professor Giliomee was of the view that liberal policies would have resulted in tremendous costs in terms of stability. He did not accept the view that liberal policies always had a positive outcome, particularly in South Africa, which had come out of colonialism. In his view there would have been serious trouble in South Africa, if the transition to full democracy had occurred before the fall of communism. In Giliomee's

²⁷⁷ Interview with Thomas on 5.4.2006, Annexure E..

²⁷⁸ Interview with Neate on 2.3.2006, Annexure E.

²⁷⁹ Interview with Marcus on 20.9.2006, Annexure E.

²⁸⁰ Interview with Giliomee on 31.3.2007, Annexure E.

²⁸¹ Interview with Shaw on 4.4.2007, Annexure E.

view there were fewer civil disturbances in the Cape than in the rest of the country during the period under review, and throughout South Africa civil disturbances were concentrated in short periods in the early 1960s, in 1974 and in the 1980s.²⁸²

One of the problems highlighted by Ackerman and BY Hirsch, of Walter Hirsch, was that top businessmen had to spend so much time away from their businesses in participating in community organisations, which were endeavouring to influence government to change the apartheid system. If their efforts had been employed in their companies they would have been so much more profitable.²⁸³

Professor Giliomee said that there was less corruption under apartheid than there is now, as in those earlier years the Afrikaners had the ideal of apartheid, but later as their belief in the ideal faded, there was only greed. Government policies lost their moral foundation during the latter years of apartheid and the government had to evolve policies merely to survive. He referred to an article which recorded the views of a Polish visitor to South Africa in 1970, who said that the country was the least corrupt society he had visited. Giliomee was of the view that there had been a fall off in business morals and greed had created problems in South African society.²⁸⁴ Shaw said that no empirical data is available as to the extent of corruption in the apartheid period, as it was swept under the carpet, but towards the end of the apartheid years corruption raised its head, examples being the trial of Minister Piet du Plessis for corruption and Minister Fanie Botha's resignation under suspicious circumstances. For most of the time corruption was covered up, in contrast to the position now where corruption is widely reported on by the media, but he said that the culture of corruption continues under the new dispensation. Apartheid had left a legacy of low

²⁸² Interview with Giliomee on 31.3.2007, Annexure E.

²⁸³ Interviews with Hirsch and Ackerman on 5.4.2006 and 24.10.2006, respectively, Annexure E.

²⁸⁴ Interview with Giliomee on 31.3.2007, Annexure E.

moral standards and business ethics had deteriorated and in the apartheid years respect for the law declined in the light of the repressive and illogical laws which were introduced. Shaw quoted the words of George Soros, the prominent and well known financier, who said that self-interest had been elevated to become a moral principle.²⁸⁵

University of Cape Town

²⁸⁵ Interview with Shaw on 4.4.2007. Annexure E.

CHAPTER 3

SANCTIONS AND BOYCOTTS

(a) HISTORY OF SANCTIONS

The history of sanctions against South Africa began in 1946 when India imposed a comprehensive trade embargo against South Africa because of South Africa's domestic discrimination against Indians. In 1954 India severed diplomatic ties with South Africa, as did African states as they became independent. In 1954 Father Trevor Huddleston called for an international boycott of South Africa and in 1958 the President of the African National Congress (ANC) called for sanctions. ANC members who went into exile in London called for a boycott of South Africa, and in South Africa the Liberal Party supported the call for a boycott.²⁸⁶ This early boycott movement was not very successful and it was only in the late 1980s that sanctions began significantly to hurt the South African economy. After its establishment in 1985, the Congress of South African Trade Unions (COSATU), along with the National Council of Trade Unions (NACTU), moved to support full sanctions.²⁸⁷ It was accepted by the unions that sanctions would bring about hardships, but in their view unemployment and poverty would not be eliminated unless the economy was restructured, which could only occur if the regime was removed.²⁸⁸ The position of COSATU and NACTU was significant in that it represented the view of an important sector of black South Africans.²⁸⁹ The churches in South Africa, excluding the Afrikaner churches, had been at the forefront of the calls for sanctions and disinvestment, particularly through the South Africa Council of Churches and the South African Catholic Bishops' Conference.²⁹⁰

²⁸⁶ T. Lodge, 'Sanctions and Black Political Organisations,' in S. Jones (ed.), The Decline of the South African Economy, p.35.

²⁸⁷ H. Joffe, 'The Policy of South Africa's Trade Unions towards Sanctions and Disinvestment,' in M. Orkin (ed.), Sanctions Against Apartheid, p.64.

²⁸⁸ A. Erwin, 'Why COSATU has supported Sanctions,' in M. Orkin (ed.), Sanctions Against Apartheid, p.55.

²⁸⁹ Joffe, 'The Policy of South Africa's Trade Unions towards Sanctions and Disinvestment,' in M. Orkin (ed.), Sanctions Against Apartheid, p.56.

²⁹⁰ S. Rothe, 'The Churches and Sanctions,' in M. Orkin (ed.), Sanctions Against Apartheid, p.68.

Although South Africa's neighbouring states are economically linked to South Africa and in many cases dependent on South Africa for their economic survival, these states had repeatedly called for effective international sanctions. In the view of Seidman these countries could not achieve: 'national or regional development capable of providing productive employment opportunities and rising living standards for their citizens until South Africa's domination over Southern Africa ends'.²⁹¹ Seidman was not realistic if she expected the close economic links between South Africa and its neighbours, the Front Line States, to disappear, for trade links were strong and many of the inhabitants of these states worked in South Africa. In 1980 the Southern African Development Coordination Conference (SADCC) was formed by South Africa's neighbours to reduce their dependence on South Africa and SADCC'S support for sanctions from 1985 caused it to draw up contingency plans to contain the costs of sanctions to their economies.²⁹²

Following the Sharpeville massacre the Anti-Apartheid Movement was founded in London and the American Committee on Africa began a sanction campaign in the United States. In 1962 the United Nations (UN) General Assembly called for diplomatic, economic and military sanctions against South Africa. Members were called on to break diplomatic ties with South Africa, to sever shipping and air links and to boycott South African trade. Britain and France abstained from the voting and without the support of the West nothing could be achieved. In order to enforce sanctions the approval of the UN Security Council was needed and in that body the Western Countries, who opposed sanctions, had a veto.²⁹³ In response to increasing pressure the UN Security Council in 1963 adopted a voluntary arms embargo against South Africa. This arms embargo had varying degrees of compliance, but the United

²⁹¹ A. Seidman, 'Frontline States, Economic Dependence and Sanctions,' p.16.

²⁹² D. Geldenhuys, *Isolated States: A Comparative Analysis*, p.275.

²⁹³ L. de Villiers, *The US Sanctions Campaign Against South Africa*, p.198.

States ended military sales to South Africa. South Africa's major trading partners were opposed to sanctions until well into the 1980s.²⁹⁴

In 1963 the newly formed Organisation of African Union (OAU) excluded South Africa from membership and announced its support for sanctions. In 1964 Britain followed the United States' lead and banned arms exports to South Africa and in that year Japan banned direct investment in South Africa. In 1970 South Africa was expelled from the Olympic movement and some other governments banned investments and loans to South Africa. In 1973 the Arab countries instituted an oil embargo against South Africa and in 1974 South Africa was suspended from the UN General Assembly. In 1977 the UN imposed a mandatory arms embargo against South Africa and in that same year a number of United States' universities and colleges adopted policies in favour of disinvesting in South Africa and the Sullivan Principles were drafted. These laid down rules for the non-racial corporate behaviour of American companies in South Africa. Similar codes were adopted in Europe and Canada. Against much of world opinion the Reagan administration adopted a 'constructive engagement' policy with South Africa, including the relaxation of previous sanctions. The West saw South Africa as a bulwark against communism and did not want to see it collapse.

Pressures from all quarters of the world increased following the widespread uprisings from 1984 onwards and in 1984 the UN Security Council prohibited members from entering into any new nuclear-related contracts with South Africa. In 1985 Chase Manhattan Bank and other United States banks refused to roll over their loans to South Africa, causing a financial crisis in South Africa and a collapse of the South African currency, and this led to South Africa declaring a moratorium on repaying its

²⁹⁴ N. C. Crawford & A. Klotz (eds), How Sanctions Work, p.283; M.R. Doxey, International Sanctions in Contemporary Perspective, pp.47-48.

overseas debt. The mass insurrections in the 1980s also resulted in more unrest and the trade unions adopted a more politically outspoken stance.²⁹⁵ The nature of South Africa's debt had changed. Before 1970 the largest component of capital inflows was short-term investment. Between 1970 and 1980 and again from 1983 to 1985, there was an outflow of short-term capital, which was compensated by increasing long-term capital inflows. Borrowing by the authorities for balance of payment purposes played a subordinate roll in the 1950s and 1960s, but in the 1970s they increased as a source of finance and they dominated capital flows in the 1980s.²⁹⁶

More and more countries were imposing sanctions, and in 1985 the British Commonwealth passed an initial package of sanctions against South Africa. Only limited sanctions were agreed to, after opposition from Britain. These included a ban on Kruger Rand imports, enforcement of the UN arms embargo, a sports boycott, a ban on the sale of computer equipment, nuclear items and technology and crude oil. This was later followed by a ban on air links, a ban on new investments or re-investment of profits earned in South Africa and a ban on the importation of South African agricultural products. Further, it included the termination of Double Tax Agreements,²⁹⁷ the ending of government assistance to, investment in, and trade with South Africa, a ban on government procurement in South Africa, a ban on government contracts with majority-owned South Africa companies and a ban on the promotion of tourism to South Africa.

The major step in the escalation of sanctions was the passing by the United States Congress of the Comprehensive Anti-Apartheid Act in 1986. This included substantially the same stipulations as that of the Commonwealth and the European

²⁹⁵ Baskin, *Striking Back: A History of COSATU*, p.7.

²⁹⁶ J.H. Cooper, 'The Impact of Disinvestment and the Debt Crisis on the South African Economy,' p.6.

²⁹⁷ Agreements between countries to ensure that income is not taxed in two countries.

Community and was passed, notwithstanding President Reagan's veto. In terms of this act the Sullivan Principles were made mandatory for United States companies operating in South Africa. The Act provided that further sanctions could be invoked if substantial progress had not been made within twelve months. These additional sanctions were: prohibition on the importation of steel from South Africa, prohibition of military assistance to those countries who circumvented the arms embargo against South Africa, prohibition on the importation from South Africa of food, agricultural products, diamonds and textiles, prohibition of US banks accepting, receiving or holding deposit accounts from South African nationals and the prohibition on the importation into the US of strategic materials from South Africa.²⁹⁸

Whenever there were civil disturbances in South Africa, the call for punitive action and sanctions against South Africa intensified. The Sharpeville massacre was followed by the establishment of the Anti-Apartheid Movement and the American Committee on Africa, which began a sanction campaign. The Soweto riots in 1976 resulted in increased calls for sanctions, but South Africa's major trading partners resisted the call for sanctions, until the 1980s, when the riots in the country forced Britain to introduce limited sanctions. As noted above, the major turning point was the United States' Comprehensive Anti-Apartheid Act of 1986. The world at large condemned South Africa's apartheid policies. Mc Dermott said that sanctions have a discontinuous effect: when applied weakly, they worsen the problem; but when applied strongly, they may force the exploiting group to change their ways.²⁹⁹

²⁹⁸ F.G. Steyn, The Effect of Sanctions on the South African Economy, pp.2-3.

²⁹⁹ J. McDermott, 'Exploitation and Growth,' pp.251-278.

(b) EFFECT OF SANCTIONS

(i) TRADE

One of the major consequences of apartheid policies on business in South Africa, and particularly in the Western Cape in particular, was the imposition of sanctions against South Africa and the various overseas consumer boycotts of South African products. This affected the Western Cape particularly as the economy was dependent on the export of agricultural products (fruit and wine) and on the tourist trade. The interdependence between South Africa and the international community is very evident in the economic sphere and thus the South African economy was the main target of those opponents of its policies who sought to isolate it.³⁰⁰ The table that may be found in Annexure B gives a summary of trade sanctions against South Africa in force in 1988.³⁰¹ Geldenhuys records that agricultural products accounted for 6% of South Africa's exports in 1988, most of these emanating from the Western Cape. Whilst sanctions did not stop South Africa from trading, they imposed greater costs of trading, eroded foreign confidence and caused the loss of export markets which would not be easy to regain.³⁰² The impact of sanctions on South Africa led to the use of false labels as to the origin of exports, and to export being made via a neighbouring country, which country was recorded on the label as the country of origin. These tactics to avoid the stigma of a South African label came at a cost and reduced the exporter's profit margin. The Cape Town Chamber of Commerce in its Annual Reports for 1984/85 and 1985/86 expressed its concern as to the direct boycott of South African products.³⁰³ The South African Federated Chamber of Industries' (FCI) report on the State President's Conference held on 7 November 1986 said that the

³⁰⁰ D. Geldenhuys, *Isolated States: A Comparative Analysis*, p.330.

³⁰¹ Ibid, p.336, Annexure B.

³⁰² Maasdorp, 'Economic Survey, 1970-2000,' p.15.

³⁰³ Cape Town Chamber of Commerce, Annual Reports 1984/5, p.1, and 1985/86, p.2.

government did not appreciate or understand the impact of sanctions on South Africa's export trade.³⁰⁴ The growth of exports for goods and services, in real terms, showed an increase of 4.6% from 1961 to 1970 and 2.4% from 1971 to 1980, but a decrease of 1% from 1981 to 1984.³⁰⁵ Whilst the decrease in the latter period could be accounted for by weakening world trade, nevertheless apartheid played its role. In 2002 Everett recorded that Scandinavian and Japanese sanctions appear to have had little effect on South African exports, but exports to the United States were cut by a third as a result of sanctions. Some estimates suggested that the European Union (EU) ban on South African imports cut the country's exports to the EU by a quarter, although the evidence is not conclusive.³⁰⁶ The report of the Overseas Representative of the Deciduous Fruit Board on the 1962-1963 season said that: 'In Scandinavia propaganda against South African produce has introduced an additional complication, though advertising for grapes has continued'.³⁰⁷ This contrasted with the more buoyant report on the 1961-1962 season, when the display of South Africa fruit at the Ideal Homes Exhibition in London was well received by visitors to the exhibition.³⁰⁸ The report on the 1963-1964 season said that:

Though less intense than in 1963, anti-South African propaganda continued to smoulder in Sweden and Norway, and it was deemed inadvisable to embark on normal publicity. Expenditure was therefore generally limited to editorial articles, though in the case of Denmark, some use was made the fruit trade press.³⁰⁹

³⁰⁴ South African Federated Chamber of Industries, Report on State President's Conference held on 7 November 1986., para.3.5. 3.5.

³⁰⁵ P.D.F. Strydom, 'Macroeconomic Policy, 1970-2000,' pp.6, 11.

³⁰⁶ S. Everett, 'The Impact of Sanctions on Southern African Exports,' p.572.

³⁰⁷ Report of the Overseas Representative of the Deciduous Fruit Board on the 1962-1963 Season.

³⁰⁸ Report of the Overseas Representative of the Deciduous Fruit Board on the 1961-1962 Season.

³⁰⁹ Report of the Overseas Representative of the Deciduous Fruit Board on the 1963-1964 Season.

In 1960 South Africa experienced a bumper export year for citrus products to United Kingdom, Germany and Sweden, notwithstanding the overseas boycott of South African products.³¹⁰ The wool export trade was also threatened by boycotts.

Dr.J.H.Moolman, chairman of the South African Wool Board, said in 1960: 'We may laugh at boycotts, but when they are organised in the countries of our origin and spread to other countries, it is time to give them serious thought'.³¹¹ He also said at the same time that:

As leader of an industry with such an enormous investment and such a valuable contribution to foreign exchange, I would be neglecting my duty, if I did not draw attention pertinently to what our present policy is doing to our market.³¹²

This was a surprisingly liberal comment from someone in the farming community in 1960.

In an address by the chairman of the Ko-operatiewe Wijnbouwers Vereniging van Zuid-Afrika (KWV), the large Western Cape co-operative wine producer, at the 1960 annual general meeting, he said that: 'The criticism which was unleashed against us throughout the world as a result of the riots in this country, has amazed us all, the more so in view of the frequent exaggeration of and misrepresentation in overseas reports'. He noted that boycott movements against South Africa had been initiated in a number of countries, and South African liquor had been mentioned as products which should not be purchased. He said that at this stage it was not possible to determine to what extent South African trade had been detrimentally affected. He also remarked that the KWV'S results for 1960 were satisfactory, but he was concerned as to what the position would be in the current year, where the country was facing adverse world

³¹⁰ 'The Union's Citrus Export Industry Grows Despite Rivalry,' Farmers' Weekly, 13 July 1960, p.20.

³¹¹ 'Dr Moolman Fears for Exports,' Farmers' Weekly, 6 April 1960, p.31.

³¹² *Ibid*, p.31.

reaction, which could affect exports.³¹³ The chairman of the KWV also, with guarded optimism, addressed the 1960 annual congress of farmers, saying that there was concern that with South Africa leaving the Commonwealth, the country could lose Commonwealth preference on its exports. He remarked that these preferences were based on mutual agreements between South Africa and various countries. He doubted whether most of these countries would terminate the agreements in the light of their favourable balance of trade with South Africa.³¹⁴ An article in the Wynboer magazine in November 1960 said that Swedish statistics reflected a drop of S.kr 300000 in the value of alcoholic products imported from South Africa. There was no doubt that some of the falloff in liquor imports from South Africa was due to the boycott of South African products. At that time, in response to the boycott campaign, some of the Swedish retail liquor establishments removed South African liquor products from their shelves, or hid the products. That the sales of South African liquor to Sweden were not more adversely affected was due, in the view of the author of the article, to the popularity of South African products. It was also stated that by the middle to the end of 1960, the effects of the propaganda had worn off.³¹⁵ In an address by the chairman of the KWV to a conference of wine farmers on 25 November 1961, he mentioned the measure of uncertainty and nervousness that arose overseas as to future stability of South Africa, as a result of it leaving the Commonwealth and the disturbances in the country. As a result there was an outflow of capital from the country, which led to official steps to protect the balance of payments. He noted that the balance of payments had improved during the previous few months and as a result

³¹³ Address to the 1960 Annual General Meeting of KWV.

³¹⁴ 'Future of the Wine Industry,' Wynboer, December 1960, p.5.

³¹⁵ 'Trade with Sweden in 1960,' Wynboer, November 1961, p.22.

overseas confidence in South Africa was recovering. The South African economy was rapidly improving and there was an economic revival in South Africa.³¹⁶

The chairman of the KWV in an address to its 1961 annual general meeting said that it was difficult to predict the future of the export trade. The board of directors of the KWV was of the view that they would not experience drastic shrinkage of their markets, but much would depend on the general international political situation and on economic factors.³¹⁷ One of the restrictions on the local market of the KWV was the prohibition on sales of certain liquor products to blacks. Much to the delight of the KWV this prohibition was repealed in August 1962.³¹⁸ One wonders whether it was a liberal step, or merely intended to help the wine industry, which could be facing overseas boycotts. The majority of the Western Cape wine farmers were supporters of the government.

Jenkins raised the problem that South Africa was dependent on technology which was developed abroad and transferred to this country in imported capital equipment. Bans on the sale of sophisticated equipment and technology transfers impacted on South Africa's development. The longer these sanctions applied, the greater the technology gap. By 1989 sanctions, and the rise in the cost of imports as a result of the depreciation of the rand, led to a burgeoning market in second hand foreign capital equipment.³¹⁹ Owing to sanctions Imperial Cold Storage had problems in obtaining overseas know-how relating to the perishable products industry,³²⁰ and Pick 'n Pay also had problems in keeping up-to-date with overseas retailing trends.³²¹ Thomas said that the Western Cape was affected by sanctions in having difficulty in obtaining

³¹⁶ Address by the Chairman of KWV to a Conference of Wine Farmers, 25 November 1961, p.24.

³¹⁷ Address to the 1961 Annual General Meeting of KWV.

³¹⁸ 'The Bantu and his Liquor,' *Die Wynboer*, September 1963, p.3.

³¹⁹ C. Jenkins, 'Sanctions, Economic Growth and Change,' p.282.

³²⁰ Interview with Neate on 2.3.2006, Annexure E.

³²¹ Interview with Ackerman on 24.10.2006, Annexure E.

foreign technical knowledge for its high-tech industries. Imperial Cold Storage had to source trawlers locally at increased cost, because they could not obtain them overseas owing to sanctions.³²² As far as Cape Union Mart was concerned, when sanctions applied, they could only purchase certain overseas goods by using a third party intermediary, which impacted on the cost of goods.³²³ Sanctions affected Shell's coal exports, as many customers would not buy South African coal.³²⁴ During the period Marcus Medical did not have the support of its overseas principals in coming to South Africa to meet and consult with customers, both private and government.³²⁵

(ii) AIR LINKS

One of the major factors affecting travel to South Africa was the imposition of various restrictions on flights to and from South Africa, including restrictions on its routes; from 1963 South African Airways were not allowed to fly over most African territories. The profitability of South African Airways was seriously affected, but being state-owned it could survive through subsidies. Overseas airlines were under constant pressure not to fly to South Africa. For the first time in 1962, the General Assembly of the United Nations approved a sanctions resolution requesting member states not to grant landing and passage facilities to all South African airlines. Since in most of Africa's airspace was closed to South African aircraft, South African Airways, at great cost, had to change its routes to fly around the bulge of Africa. Flights thus took longer and travel to South Africa was not as easy. This inconvenienced travellers, but it created no insurmountable obstacles. By the end of 1988 air links to South

³²² Interview with Neate on 2.3.2006, Annexure E.

³²³ Interview with Krawitz on 5.4.2006, Annexure E.

³²⁴ Interview with Drake on 8.9.2006, Annexure E.

³²⁵ Interview with Marcus on 20.9.2006, Annexure E.

Africa had been banned by most African states and in the Third World, Eastern Europe and Scandinavia, United States Canada, Australia and New Zealand.³²⁶ These restrictions had a major impact on the tourism industry in the Western Cape. Annexure C gives details of foreign visitors to South Africa from 1959 to 1988; the Cape being a major tourist attraction in South Africa would be visited by the greater majority of foreign visitors.

(iii) MARITIME LINKS

South Africa's maritime links were under the same pressure as its air-links. The UN General Assembly resolution of November, 1962 included a request to states to close their ports to all vessels flying the South African flag. This resolution was supported in 1963 by the Organisation of African Unity (OAU). Over the years the UN repeated and broadened its request for a maritime ban on South Africa. In 1977 the General Assembly urged the Security Council to consider, amongst other measures, the denial of facilities by members to shipping companies (and airlines) providing services to and from South Africa. The General Assembly's resolutions had little success with the Security Council, but in 1985 the Council appealed to members to re-examine maritime relations with South Africa. Calls for a maritime ban against South Africa had been heeded by many countries and officially the harbours of African states and many Third World and communist states had been closed to South Africa.

Scandinavian countries imposed various restrictions on maritime trade with South Africa and a number of ports in the West had banned trade with South Africa,

³²⁶ Geldenhuys, *Isolated States: A Comparative Analysis*, p.593-595.

examples being Wilmington (Delaware) in the United States and Bristol in Britain. Whilst the majority of seafaring nations upheld the ban on maritime relations with South Africa, it had not been officially enforced by South Africa's major trading partners in Western Europe, Japan and the United States. South Africa's merchant fleet was small and it had to rely on foreign ships to carry its imports and exports,³²⁷ which was another impediment to the export trade of the Western Cape.

(iv) TOURISM

South Africa's efforts to attract tourists despite its tarnished image overseas, was inhibited by restrictions imposed by foreign governments to discourage or ban tourism to South Africa. The UN General Assembly repeatedly requested all states to impose a tourist boycott on South Africa, which inter alia required a prevention of the promotion of tourism to South Africa. Commonwealth members in 1986 agreed on a ban on the promotion of South Africa as a tourist destination, but Britain only accepted a voluntary ban, requesting British business not to promote South Africa as a tourist destination. Hong Kong and Canada also in 1986 decided on a voluntary ban on tourism to South Africa, and this action was followed by Norway imposing a ban on the promotion of South African tourism, following similar action in New Zealand. A number of countries also closed the South African Tourist Corporation (Satour) offices in their countries.³²⁸ Satour was a state-funded organisation set up to promote South Africa as a tourist destination.

³²⁷ Geldenhuys, *Isolated States: A Comparative Analysis*, pp.596-597.

³²⁸ *Ibid*, pp.585-586.

The attached table gives details of the number of overseas tourists visiting South Africa from 1959 to 1988.³²⁹ From this table one can see the adverse impact of crisis periods in South Africa's recent history, e.g. 1976-77 (Soweto) and 1984-1986 (State of Emergency). The drastic decline was between 1975 and 1976 when the figure dropped by 12.6% compared to 1986 when the figure was 11.4% lower than in 1985. The slump in tourists in the middle 1980 years meant that the monetary tourist turnover shrank by half.³³⁰ The number of British tourists declined from nearly 140000 in 1984 to some 85000 in 1986 while West German tourists declined over the same period from 56808 to 45383.³³¹ The wide fluctuations in tourists visiting South Africa made it difficult for the Western Cape tourism industry to provide accommodation and other services for the constantly changing tourist market. There was reluctance to invest in tourism in the Western Cape, as the prospects were so uncertain in the light of the impact of apartheid. Geldenhuys was of the view that most prospective tourists stayed away because of fears for their personal safety. It is more difficult, in his view, to assess the impact of South Africa's policies on the tourism market as it could be affected by many factors. In his words: 'It seems reasonable to conclude that ostracist moves do in fact prevent the optimum realisation of South Africa's tourism potential'.³³² South Africa's political style hindered the tourist trade in the Western Cape and minimized the opportunity of export growth,³³³ the main strengths of the Western Cape economy.

Strong views were expressed by Western Cape businessmen on tourism. Krawitz of Cape Union Mart said that prior to the apartheid years their company had a considerable turnover with foreign tourists, and many cruise liners called at Cape

³²⁹ Ibid, p.587, Annexure C.

³³⁰ Ibid, pp.585-586.

³³¹ Ibid, p.589.

³³² Ibid, p.591.

³³³ Bridgman et al, South Africa's Leading Edge ?, p.42.

Town. Under Nationalist government rule this lucrative business dried up and cruise liners did not call. Since the fall of apartheid one has seen a boom in the tourism industry, but the Cape lost considerable tourist revenue in the apartheid years.³³⁴ Professor Thomas agreed with this view³³⁵ as did Ackerman of Pick n' Pay. The latter said that one could not measure how much tourist revenue South Africa lost in the apartheid years.³³⁶ Giliomee said that: 'The major adverse impact of apartheid on the Western Cape's economy was in respect of the tourism industry'. Fear discouraged prospective tourists and the Western Cape could not achieve its tourist potential.³³⁷

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³³⁴ Interview with Krawitz on 5.4.2006 Annexure E.

³³⁵ Interview with Thomas on 5.4.2006, Annexure E.

³³⁶ Interview with Ackerman on 24.10.2006, Annexure E.

³³⁷ Interview with Giliomee on 31.3.2007, Annexure E.

CHAPTER 4

ATTITUDE OF THE CHAMBERS OF COMMERCE AND INDUSTRY AND OTHER BUSINESS ORGANISATIONS TO APARTHEID

(a) CAPE TOWN CHAMBER OF COMMERCE (THE CHAMBER)

The Chamber had a membership, mostly English-speaking, of 2300 in 1984 rising to 3200 in 1992, comprising members in the manufacturing, retail, wholesaler, agency and services (professional and other) sectors,³³⁸ and thus covered a wide range of commercial and industrial activities. Its members included most of the larger commercial and industrial companies in the area, but most of its members were small and medium enterprises. It claimed to be an apolitical organisation, and did not get involved in party politics; it adopted a more liberal attitude than many of the chambers throughout the country, although within its ranks were those, in common with other English speakers, who voted for the Nationalist Party. In reviewing the attitude of the members of the Chamber to apartheid an examination of the Minutes of the Council meetings of the Chamber from 1960 to 1990 gives an illuminating picture of business' reaction to apartheid.

Following the Sharpeville massacre on 21 March 1960, which resulted in the declaration of a State of Emergency and the decision to leave the Commonwealth in 1961, business in the Cape was alarmed as to the impact these events would have on their businesses. Accordingly a joint meeting of the Councils of the Chamber and the Cape Chamber of Industries was held on 13 May 1960 and a wide ranging public

³³⁸ Interview with Director of the Cape Regional Chamber of Commerce (successor to the Cape Town Chamber of Commerce), 13 May 2005.

statement was issued expressing the deep concerns of both organisations. The statement gave the following background views:

The responsibility for maintaining and improving the standard of living in South Africa rests largely on industry and commerce, which cannot fulfil this function whilst the circumstances continue which caused the unrest and in the view of the Chambers the disturbances were due to the poor conditions under which blacks lived and worked, which was caused by inadequate economic development. The Chambers stated that economic development could only be achieved in their words by: 'Harnessing all the people in the fullest productive effort of which they are individually capable'.³³⁹ The Chambers said that the country could not reach its economic potential whilst four-fifths of its population was seriously lacking in economic opportunities compared to the remaining fifth (the whites). The creation of additional employment opportunities in separate undeveloped areas would call for vast resources of capital, managerial skill and trained labour, which could not be provided without placing intolerable strain on the existing economy, even if those providing the finance could be convinced as to the soundness of the investment. It followed in the organisations' view that the existing economy should be strengthened and expanded by the more effective utilisation of non-white labour in urban areas and a satisfactory social environment was needed to be created for all workers on whose co-operation the economy depended.

Against this background the Chambers stated that black workers were essential to the total economy and the full employment of whites and coloureds in the Western Cape and that the economic development of the Cape coloured were closely related to and

³³⁹ Public Statement, Cape Town Chamber of Commerce and Cape Chamber of Industries, Adopted at a Joint Meeting of the Councils of both Chambers held on 12 May 1960.

interwoven with the economic progress of the whites. In the view of the Chamber the coloureds were not in competition with the black worker, as the latter was prepared to undertake occupations not attractive to the coloured population. The continuing economic development of the Western Cape had led, in their view, to replacement of white workers by coloureds as whites had moved into more responsible positions. The economic advancement of the whites would not be possible without the availability of coloured and black workers and the continuous acquisition of greater skills and the assumption of greater responsibility by all workers. It followed that the placing of limitations on the advancement of non-whites would retard the economic position of whites. As far as the coloured people in the Western Cape were concerned, there was a strong recommendation from the Chambers that job reservation should not apply, the splitting of coloured workers into separate unions should not be required, and employer organisations should assist coloured workers to enter into apprenticeships. Whilst in the Chambers' view some form of influx control was needed, it recommended that the blacks have a full family life, with their wives and children living with them, while improved police and transport services should be provided.³⁴⁰

In the light of the fact that Dr. Verwoerd was Prime Minister in 1960 and the apartheid government was dividing the nation ever more on a racial basis, it was not surprising that government did not take any action on the recommendations in the statement, even though a joint letter setting out the statement was sent direct to the Prime Minister, all Members of Parliament and Senators. Dr. Verwoerd had accepted an invitation to address the 1960 Association of Chambers of Commerce of South Africa (ASSOCOM) Congress, but retracted his acceptance, saying that any discussion of

³⁴⁰ Public Statement, Cape Town Chamber of Commerce and Cape Chamber of Industries, Adopted at a Joint Meeting of the Councils of both Chambers held on 12 May 1960.

Assocom's stance on coloured policy would serve little good purpose. The relationship between government and Assocom was strained, although not completely severed.³⁴¹ Bolton noted that Verwoerd referred to businessmen as "traitors" in not committing themselves to the survival of the white man in South Africa. Verwoerd also stated that Assocom was part of an organised campaign against the state.³⁴² The civil disturbances and the State of Emergency, combined with the fear of the impact of the loss of the Commonwealth preference were of great concern to business. They feared the impact of these on the economy and on their own businesses.

In the light of the 'long boom' in the Western world and the extraordinary growth in the South African economy from 1960 to 1974, the impact of apartheid on business in that period was offset by increased business earnings. The weakening South African economy, the rise of the Black Consciousness Movement and the forced withdrawal of South African troops from Angola were factors causing the outbreak of the Soweto riots, which erupted in 1976.³⁴³ Business was shaken out of its complacency and it occurred to the average businessman that apartheid was at the core of his problems. Whilst the world economy was in recession, the position in South Africa was exacerbated by apartheid. In examining the minutes of the Council of the Chamber from 1960, there were few references to the problems caused to business by apartheid from 1960 to 1976, but after the riots in 1976, business expressed concern as to the future of the South African economy and in particular their own businesses. There was a degree of panic in the business community and the Chamber proposed the following motion to the 1976 National Congress of its umbrella organisation, ASSOCOM. The motion recorded that business was convinced that the future well being and prosperity of the Republic of South Africa depended upon recognition of

³⁴¹ Pretorius, 'The Head of Government and Organised Business,' pp.216-218.

³⁴² Bolton, Business and State in South Africa during the period 1976 to 1986, p.80.

³⁴³ O'Meara, Forty Lost Years, p.180.

the defacto presence of all her people, their fundamental human rights, their economic interdependence and their actual and potential contribution to the economy and the quality of life enjoyed in the country. Business also stated that the future depended on the growth of the per capita real income of the whole population, and the evolution of a stable and contented middle class of all races, with a vested interest in that wellbeing and prosperity, and a desire to uphold and defend it. It also said that training and development of skills and the encouragement of entrepreneurship were essential.

The motion passed said that:

Congress urges the government to:

- Move more purposefully towards elimination of discrimination on grounds of race – especially in the economic sphere
- Recognise the de facto presence of and need for all races, including blacks, in urban areas
- Permit ownership of residential property by all racial groups in their own parts of urban areas
- Relax restrictions on black traders in their own areas and to permit their pursuit of otherwise lawful occupations in urban areas
- Set aside mixed trading areas in which all races may trade freely
- Relax restrictions on employment in white owned businesses of persons of other races which might thereby gain needed experience and skills for their running of their own businesses, and
- Facilitate the establishment of restaurants in the white central business districts (CBD) to cater for the needs of black business and professional persons and others who do business there.³⁴⁴

³⁴⁴ Cape Town Chamber of Commerce, Council Meeting, 26.8.76, p.446.

The resolution was passed at the Congress. The Prime Minister, B.J.Vorster, addressed the congress and said that business should look after economic matters and leave politics to the government. This was not well received by the delegates at the congress, and after Vorster had left the congress, a delegate from Natal was highly critical of the government and what Vorster had said. This resulted in the Secretary for Commerce, Joep Steyn, leaving the congress in anger and reporting the critical attitude of the congress to Vorster. Steyn, by the way, was the only person present at the congress to give Vorster a standing ovation.³⁴⁵ While the debate at congress caused some strain in Assocom's relations with government, relations with government were soon restored and the resolution was discussed with Vorster on 1 September 1976, stressing the concerns of business and the need to sustain business confidence, the interdependency of politics and economics as a solution of the problems in 1976 and increasing the stake of all races in the economy. The Prime Minister reiterated his view that business should look after the economy and leave politics to the politicians.³⁴⁶ He also made the same comments in his condemnation of the Chairman of SANLAM, Dr. A.D. Wassenaar's book, which criticised state interference in the economy. Vorster said that Afrikaner business should keep out of politics.³⁴⁷ While access to government decision makers became easier in the Vorster era, the government remained averse to public calls for the abolition of apartheid.³⁴⁸ The somewhat more relaxed approach of government is confirmed by a story Ackerman, Chairman of Pick n' Pay relates in his autobiography. He recounted an interview he had with Prime Minister Vorster. Pick n' Pay had appointed their first black manager

³⁴⁵ Assocom Congress Proceedings August 1976, (No written record).

³⁴⁶ Cape Town Chamber of Commerce, Council Meeting, 23.9.76, p.453.

³⁴⁷ O'Meara, *Forty Lost Years*, p.195.

³⁴⁸ Pretorius, 'The Head of government and Organised Business,' p.224.

at their Rondebosch store in Cape Town. He proved to be efficient, and well accepted by the customers. Ackerman had received a number of letters from customers expressing favourable views of the manager, including some from the wives of Cabinet ministers. Ackerman obtained an interview with Vorster, and showed him the letters. Vorster said that he could continue to employ the black manager, but that he was not going to change the law.³⁴⁹

The Cape Town Chamber of Commerce was also concerned at the civil unrest in the Cape Peninsula and surrounding areas, which had followed on the Soweto uprising. The Chamber was worried as to effect that this had had, and could have on the future of commerce and industry in the area. Accordingly at a meeting of the Council of the Chamber held on 23 September 1976, a memorandum was approved setting out a programme of action to counter civil unrest in the area.³⁵⁰ The Chamber expressed concern as to the negative impact that job reservation and the coloured labour preference policy had on commerce and industry in the Western Cape, and it instituted a programme asking members to commit themselves in their businesses to non-discrimination against employees on racial grounds. The Chamber asked members to sign a manifesto confirming their undertaking to institute these practices, and there was a favourable response from large and small businesses. While the programme was introduced out of a deep concern amongst Chamber members for a relaxation of the apartheid policies, it was also promoted because of business' concerns about the skill shortage.³⁵¹

The continuing concern of business as to the impact apartheid was having on its operations and profits, was the background to the following motion proposed by the

³⁴⁹ Ackerman, *Hearing Grasshoppers Jump*, pp.90-91.

³⁵⁰ Cape Town Chamber of Commerce, Council Meeting, 23.9.76, p.452.

³⁵¹ Cape Town Chamber of Commerce, Council Meeting, 25.11.76, p.469..

Chamber to the 1976 Cape Regional Congress of Assocom. This motion was approved at the Regional Congress and referred to the National Congress of Assocom, where it was approved subject to minor textual amendments. The motion read:

Congress welcomes the government's acceptance of the recommendations of the Theron Commission that certain concentrated business areas be opened to allow coloured and Indian traders to carry on business in these areas and urges the government to take immediate steps to open principal business districts for coloured and Indian traders.³⁵²

In introducing the motion it was pointed out that there was a pressing need to remove all restrictions on the employment of non-white labour, remove all restrictions on black trading in their own areas, and at an appropriate time to allow whites to trade in black areas.³⁵³ It was feared that if white business was allowed unrestricted trading rights in black areas, the competition would kill black business.

Business was perturbed as to the toll apartheid was taking on their business profits and at a meeting of the Council of the Chamber held on 29 July 1977 concern was expressed at the deterioration of the Western Cape economy. Businesses in the area had to deal with high railage rates, being far from the main South African markets, and to exacerbate the position they had to contend with apartheid policies, which adversely affected the Western Cape in comparison with other areas.³⁵⁴

1978 was another poor year for the South African economy and Western Cape business suffered. Business in that area pressed for a change in government policy which they hoped would improve their profitability. The Chamber proposed a further motion to the 1978 Assocom congress seeking a hastening of change in South Africa. The motion called for the recognition of the de facto presence and need for all races,

³⁵² Cape Town Chamber of Commerce, Council Meeting, 21.7.77, p.18, 25.8.77, p.26, 3.11.77, p.45.

³⁵³ Assocom Congress, 17 – 19 October, 1977, Record of Proceedings, p.3.

³⁵⁴ Cape Town Chamber of Commerce, Council Meeting, 29.7.77, p.32.

including blacks in urban areas, relaxation of restrictions on black businesses in their own areas so as to facilitate their incorporation into the competitive enterprise system, allocation of mixed trading areas in which all races might trade freely, and relaxation of restrictions on employment in white owned business of persons of other races. This motion was passed at the Domestic Session of the Congress.³⁵⁵ The domestic session was closed to the media, whilst the open session was open to the media. The motion should have been debated in the open session, but the more conservative elements in Assocom outside the Western Cape did not want to upset government too much by open debate. The Western Cape was the more enlightened and liberal arm of the organised business movement.

During the year 1979 the business community in the Western Cape was concerned at the impact of the decentralisation benefits on the area and accordingly the following motion was proposed by the Cape Town Chamber of Commerce at the Cape Regional Congress of Assocom held on 28 June 1979 and subsequently approved by the congress:

Congress is of the opinion that if the Western Cape is to grow at a pace sufficient to promote adequate employment opportunities for its growing population, serious consideration needs to be given by the government to extend decentralisation concessions to such areas of the region as are likely to lend themselves to fast development.³⁵⁶

The following motion was proposed and passed at the Assocom National Congress later in 1979:

³⁵⁵ Cape Town Chamber of Commerce, Council Meeting, 24.8.78, p.118.

³⁵⁶ Ibid, 28.6.79, p.185.

Because of the problems arising from the practical application of Influx Control in its present form, Congress urges the government to implement the Riekert Commission³⁵⁷ recommendations that the control measures aimed at the individual be abolished and that effective control be instituted over employment and housing which should be the only criteria for regulating migration into urban areas.³⁵⁸

With the boom in the South African and Western Cape economy from 1979 to 1981 business was not motivated to press government to reform apartheid policies, as they were too busy making money. By 1981 business was feeling the squeeze on its profits and was once again motivated to seek a relaxation of the apartheid policies to help them out of their problems. Accordingly the Chamber proposed the following motion to the 1981 Assocom National Congress:

In view of the urgent need to open the private enterprise system to all population groups as soon as possible, Congress notes with disappointment the slow progress made towards freeing central business centres of cities and towns of the provisions of the Group Areas Act as recommended by the Riekert Commission and accordingly urges government to proceed more speedily with the implementation of the recommendations.³⁵⁹

This action was followed by a proposal in 1982, from the Chamber to the Cape Regional Congress of Assocom. The recession was hitting profits and business realised that apartheid was affecting profitability. The motion recorded that business believed that the existing prohibition on the ownership or occupancy by disqualified persons of business premises in the major commercial areas of larger towns served to restrict the full participation by members of all population groups in the economic

³⁵⁷ The Riekert Commission examined manpower utilisation; See O'Meara, *Forty Lost Years*, p.193.

³⁵⁸ Cape Town Chamber of Commerce, Council Meeting, 28.6.79, p.209.

³⁵⁹ Cape Town Chamber of Commerce, Council Meeting, 23.7.81, p.26.

development of the country, denied full opportunity to non-white businessmen to acquire additional management skills, discouraged the development of non-racial partnerships and acted as a brake on the private enterprise system in South Africa, The motion urged that Municipal Authorities, affected Management Committees and Community Councils be empowered to declare free trade areas within their respective areas of jurisdiction and that the Group Areas Act be amended accordingly at the earliest possible opportunity. At the same Congress they proposed the following motion:

Congress believes that it is inconsistent with the free enterprise system to apply the coloured preference policy to blacks who are part of the permanent population of the Western Cape and urges, therefore, that the black labour regulations be amended to allow such blacks to be employed without restrictions being applicable to them.³⁶⁰

These motions were approved.

The appointment of P W Botha as Prime Minister in 1978 was looked on by many in the business community as the beginning of a new era in South African politics as he was viewed as *verligte* (enlightened).³⁶¹ He came into power determined to introduce reform. Many in business thought, somewhat misguidedly, that the introduction of the Tri-Cameral Parliament (separate Chambers for whites, coloureds and Indians with limited joint sittings) in 1984 was a *move in the right direction*. They did not appreciate the adverse reaction this would have in black areas; this together with the economic decline caused the riots in 1984 and the imposition of a further state of emergency

³⁶⁰ Cape Town Chamber of Commerce, Council Meeting, 24.6.82, p.9.

³⁶¹ O'Meara, Forty Lost Years, pp.240-241.

The Chamber's members expressed deep concern in 1985 about the impact of internal and external threats on the South African economy. Accordingly they approached Assocom and the latter, jointly with the Federated Chamber of Industries, issued a Press Statement calling on government to issue a clear statement of intent to release political detainees who were prepared to participate in a process of peaceful constitutional reform; to set up mechanisms whereby blacks could decide who their leaders were; to enter into visible and meaningful dialogue with such black leaders with a view to accommodating the reasonable political aspirations of blacks in the Country's constitutional development; and urgently to press ahead with a process of reform on all fronts and particularly in areas of education, job creation and better living conditions for all. It was also stated that the business community had a vital stake in the future political stability of the country.³⁶²

The Chamber followed up with the following motion to the 1982 National Congress of Assocom:

Believing the removal of all forms of racial discrimination in business to be essential for the proper functioning of the free enterprise system, Congress urges the government to expedite the removal of the many remaining legislative and administrative measures that discriminate on the grounds of race in the business sector.

The motion was passed at the National Congress of Assocom in an amended form although the sentiments in the Cape Town motion were retained.³⁶³

The Council of the Chamber was perturbed about the political, economic and social conditions in the country; on 31 October 1985 the Chamber addressed a letter to all its

³⁶² Cape Town Chamber of Commerce, Council Meeting, 5.8.85, pp.6-7.

³⁶³ Cape Town Chamber of Commerce, Council Meeting, 22.8.85, p.30 & 19.9.85, p.41.

members which said that it was concerned as to the following features of the government's apartheid policy: prohibition on the employment of blacks in managerial and supervisory positions; coloured labour preference; Physical Planning Act, which limited the number of blacks that may be employed; difficult and cumbersome procedure in opening business districts to all races; and restrictions on black traders, who could only trade in premises allocated by the Development Board and cannot have any white shareholders.³⁶⁴

South African society was in a state of crisis and the economy was in a parlous condition, bus boycotts and work stay-aways were a problem; while previously the Cape was insulated from the extremes of political expression, the situation had changed.³⁶⁵ The business community realised that there had to be a fundamental change in government policy, the era of apartheid had to end.³⁶⁶ The Western Cape was more liberal than the rest of South Africa and business there was pushing government to reform. Accordingly the Chamber proposed a motion to the 1985 National Assocom Congress calling for the removal of discrimination in business. The motion was amended at the Congress and the final form of the motion acknowledged that legal restraints inhibited the full participation of all races in the private enterprise system and that the system will only survive if all South Africans have a stake in it. The Congress urged the government to expedite the removal of the many remaining legislative and administrative measures that discriminate on grounds of race.³⁶⁷ This motion was passed by the Congress.

1986 was a difficult year for business. Government had introduced reforms to phase out certain elements of apartheid, but the Chamber pressed government to eliminate

³⁶⁴ Cape Town Chamber of Commerce, Letter to Members 31.10.85, Council Meeting 19.9.85.

³⁶⁵ Cape Chamber of Industries, Year Book, 1985/86, p.9.

³⁶⁶ O'Meara, Forty Lost Years, p.365.

³⁶⁷ Cape Town Chamber of Commerce, Council Meetings, 22.8.85, p.30, 19.9.85, p.41.

the remaining forms of racial discrimination and accordingly the Chamber proposed a motion to the National Congress of Assocom calling on government to take immediate steps to repeal the Group Areas Act and publish a timetable for the removal of other remaining discriminatory measures that exist in the economy.³⁶⁸

By 1987 there were signs of changes in government policy, particularly in the government's White Paper on Urbanisation. The Chamber proposed a motion to the National Congress of Assocom which said that it recognised the positive objectives contained in the government's White Paper on Urbanisation, that are aimed at accommodating the irresistible shift towards the urban centres in South Africa, but that it remained concerned that the strategies proposed might not achieve the objectives envisaged. The motion called on government to support the President's Council call for a review of the decentralisation programme, and to place greater emphasis on metropolitan development as a means of job creation. It also asked for the devolution of authority to plan and determine priorities, relating to development in urban areas, to the local level, and for the process to be undertaken in consultation with the private sector, and further for the right of freedom of movement, including the right to live and work in urban areas on a permanent basis, be extended to the citizens of the TBVC (Transkei, Bophuthatswana, Venda and Ciskei) countries.³⁶⁹

By 1989 the Chamber was making major efforts to get the government to complete its reform process and proposed to that year's National Assocom Congress a motion stressing its concerns. This motion was amended at Congress and the final wording of the motion which was approved at Congress was:

Economic Growth and Reform

³⁶⁸ Cape Town Chamber of Commerce, Council Meeting, 27.8.86, p.16.

³⁶⁹ Cape Town Chamber of Commerce, Council Meeting, 29.9.87, pp.40-41.

Believing that economic growth and political progress are interdependent and acknowledging that private investment – whether local or foreign – is essential to economic growth, Congress recognises that the prospects for generating investment in South Africa are directly dependent on the elimination of all forms of statutory racial discrimination and the accommodation of all people in a new political dispensation,

And urges that:

- All concerned endeavour to create a favourable climate for political negotiation in South Africa;
- Every effort be made to reduce the pre-conditions, including those by government, which currently hamper the chances of successful negotiation between all representative political leaders; and
- All remaining discriminatory legislation be dismantled as soon as possible.³⁷⁰

In reviewing the action taken by the Chamber in calling for the repealing of the apartheid policies during the years from 1960 to 1990, one has a clear picture of the impact of apartheid on the members of the Chamber during that period. The main concerns of business over the period were the necessity of involving all races in the economy and the removal of racial discrimination in the work place, without which the Western Cape would never prosper. In addition the Chamber was concerned as to the cost to the country of the decentralisation policy, in terms of finance, managerial skill and trained labour. Business was also worried as to the impact of civil disturbances on the economy and their businesses in the Western Cape and also on the availability of black labour in the Western Cape, which was essential to the economic

³⁷⁰ Cape Town Chamber of Commerce, Council Meeting, 29.9.88, p.8.

development of the area. Restrictions on the employment of coloured labour in skilled and semi-skilled occupations, and the overall skill shortage were major causes of concern to business, as was the restrictions on black traders, and the lack of open trading areas in the Western Cape.

The Chamber, in a document dated 6 February 1990 prepared for their Planning Committee, stated that: apartheid was recognised as the most significant single factor restraining economic development in the country, and the Chamber must promote a climate for change away from apartheid, and encourage the government to move toward its stated goal of abolishing apartheid in all its forms as soon as possible. It was proposed in the document that the Chamber should inter alia use all forums available to it, that is, meetings with MP's, senior government officials, business and other organisations to encourage change and that the Chamber should encourage its members to participate in, and sign the Manifesto for Change. In addition the Chamber should promote corporate social responsibility amongst its members and in more specific actions the Chamber called for Cape Town to be declared an open city, and for District Six to be developed.³⁷¹

In reviewing the impact that the Chamber of Commerce movement had on government policy, it must be recorded that discussions with the various Ministers of Finance were normally cordial and results were often achieved. The organisation had many meetings with the Ministers of Economic Affairs, particularly Chris Heunis, who was minister in the Vorster and Botha years. He was willing to listen to business and to try and help, but he was restricted by government policy. Where the Chamber had difficulties was in its relationship with departments concerned with black affairs who were generally a law unto themselves and considered they had the answers to all

³⁷¹ Cape Town Chamber of Commerce, A Vision for 1992, pp.6-7.

of South Africa's problems. This attitude was particularly noticeable in dealing with departmental officials, both senior and junior; when reforms changes in policy were introduced in the 1980s, the officials often dragged their feet in implementing the changes. When Koornhof was the responsible minister he made the comment at a meeting which Assocom had with him that he wanted to bring about change, but his officials resisted reform.

(b) CAPE CHAMBER OF INDUSTRIES (CCI)

The other major business organisation in the Western Cape was the CCI. It also claimed to be apolitical and did not get involved in party politics. Whilst it had a smaller membership than the Chamber of Commerce, it included in its membership most of the major industrial concerns in the area including agricultural distributors and manufacturers, clothing manufacturing, coal suppliers, export traders, food and drink producers, furniture manufacturers, knitted goods and leather manufacturers, metals and metal products manufacturers, millers and bakers, quarry owners and the steel and engineering industry. There was not as much material available in the CCI's archives and accordingly it is difficult to get a pattern of the organisations attitude to apartheid over the period 1961 to 1990. The loss of the Commonwealth preference after South Africa left the Commonwealth in 1960 as a result of the government's apartheid policies was of major concern to the members of the CCI. The S.A Federated Chamber of Industries (FCI), CCI's national organisation had made an analysis of the South Africa's export trade and reported that 32% of its exports, excluding gold and uranium, went to Britain. Some industries relied to a greater

extent on exports to Britain, particularly the fruit canning and wine industries in the Cape. Not only did these industries concerned benefit from the preference, but supporting industries that provided cartons, containers and labels for fruit canning also enjoyed benefits under the Commonwealth preference. It was noted that 73% of South Africa's grape exports went to Britain. The Economic Committee of the CCI emphasised that; the Commonwealth Preference provided an assured and continuous system of trading – alternative possibilities of export trade to the same extent were purely conjectural; in the event of losing the preference, even if some other export outlets were found, there would be no assurance that they would be open to South African exporters year after year in the way that the preference system assisted the export trade; special arrangements of the kind constituted by the Commonwealth preferences, which had been incorporated into the General Agreement on Tariffs and Trade (GATT), would now be difficult to conclude in view of GATT itself, the European Economic Community and the European Free Trade Association; and big investments had been made in local industries and agriculture on the basis of the continuing advantages conferred by the Commonwealth preference. The CCI Executive Council was aware that serious damage would be done to the economy of the Western Cape, should it lose the preference. What happened in practice was that other export markets were found and Britain's share of South Africa's exports, excluding gold, dropped from 30% in 1970 to only 8% in 1984.³⁷² The entry of Britain into the European Economic Community finally ended all preferential access to the British market which South Africa, as a former commonwealth member, had enjoyed.³⁷³

³⁷² Geldenhuys, *Isolated States: A Comparative Analysis*, p.351.

³⁷³ Cape Chamber of Industries, Mid-Year General Meeting, 28.7.60, p.3.

The CCI was concerned at the same time as to the impact that boycotts could have on members' exports. The government had urged the CCI to continue efforts to export, despite boycott threats. The FCI also urged the CCI members to persevere with exports. Somewhat naively the FCI's view was that, as boycotts were a reaction to public policies followed by the South African government, they should assist exporters to a greater extent to cover losses by means of export insurance, in respect of political risks. Whilst overall exports had increased by 22 million pounds in the first six months of 1960, individual industries had suffered losses through boycotts. In the words of the minutes of the Mid-Year General Meeting of the CCI held on 28 July 1960 ... 'and if most of the views of business were officially adopted, the Union would have boom conditions and undoubtedly assume the leading position on the African continent'.³⁷⁴

The CCI supported the representations of the FCI to the Cabinet on 3 May 1960 which called for immediate steps to be taken to revitalise South Africa's economy and that notice should be paid to the dangers of international repercussions, which were gravely threatening South Africa's trade. It also said that realistic acknowledgment should be made of the permanency of the urbanised 'bantú' people, that a policy should be adopted to eliminate friction between them and the administration, and that permanent machinery of consultation with the urbanised 'bantú' should be formulated. The position of labour in the Western Cape was always a major problem for industry in the apartheid years. When blacks had no trade unions, the employers had no one to talk to when there were strikes or stay-aways. From 1981 all racial distinction in trade unions was abolished³⁷⁵ and this gave business someone to negotiate with in the event of labour disputes. The difficulty of dealing with labour disputes arose again during

³⁷⁴ Cape Chamber of Industries, Mid-Year General Meeting, 26.7.60, pp.3-7.

³⁷⁵ Davenport, *South Africa, A Modern History*, p.443.

the period of the State of Emergency in 1986. The CCI was concerned as to the detention of trade union leaders and the impact this and the State of Emergency had on industrial relations. In a letter distributed to its committees on 4 July 1986, the FCI laid down guidelines for communication between employers, trade unions and their members under the emergency regulations, which stated that trade union meetings might, subject to certain restrictions, be held indoors, but outdoor meetings needed approval by the authorities, and there were also restrictions on strikes and when the security forces might intervene.³⁷⁶

At an extraordinary meeting of the FCI's Manpower Standing Committee held on 30 June 1986 the members present noted the demands of the Congress of South African Trade Unions' (COSATU) that any employee detained in terms of the emergency regulations should not be dismissed and that those detained should be paid in full for the period of their detention. The meeting agreed that, subject to the employee committing no offence under the security laws or the State of Emergency, employment relationships should not be prejudiced by involuntary absence from work, but the technical issue of pay should be addressed by each individual employee. The other demands of COSATU should be addressed at regional and company level.³⁷⁷

Over the years from 1960 to 1990 the major concerns of industry were the poor economic performance of the Western Cape compared with the rest of the country. Industrialists were concerned as to labour shortages in the area, particularly as a result of job reservation and the coloured labour preference policy applied to the Western Cape. Further the difficulty of labour relations in times of civil disturbance and States

³⁷⁶ Letter by the South African Federated Chamber of Industries dated 4.7.1986 to Members of the Board of Management and other committees of the South African Federated Chamber of Industries.

³⁷⁷ South African Federated Chamber of Industries, Extraordinary Meeting of the Manpower Standing Committee on 30.6.96, pp.3-4.

of Emergency created difficulties in operating businesses and affected profits. In addition to these difficulties there were the decentralisation incentives which were generally granted to industrialists in other parts of the country. The Chamber of Industries was not as liberal as the Chamber of Commerce owing to the influence of its officers and even more the views of its senior permanent staff.

(c) OTHER BUSINESS ORGANISATIONS

The other major business organisations in the Cape were the Afrikaanse Sakekamer, with a national body, the Handelsinstituut, and the National African Chamber of Commerce (NAFCOC). The Sakekamer, with its Afrikaner membership, was not openly critical of government, although in the later years of apartheid, one saw criticism of apartheid from Rupert of Rembrandt and Wassenaar of SANLAM. The Volkshandel (organ of the Afrikaanse Handelsinstituut), repeatedly warned that apartheid might be wrecked because of economic factors. It asked the question: 'How much sacrifice can a democratic government ask of its population in the interests of long-term stability?' Despite these objections Volkshandel and the Afrikaanse Handelsinstituut stressed their support for apartheid and that any changes to the labour policy should be within the framework of that policy.³⁷⁸ A small survey of leading Afrikaner businessmen was conducted by the *Financial Mail* in March, 1971, which showed that those polled were concerned about labour shortages and black poverty, but remained supporters of apartheid. The question was asked; 'Should separate development be pursued, irrespective of any economic effects?' The replies were :

³⁷⁸ Welsh, 'Political Economy of Afrikaner Nationalism,' p.270.

‘The policy is not irreconcilable with economic prosperity’; ‘It should be proceeded with at all cost, but we should try to minimise economic disruptions’; ‘It could even be an economic stimulus’; ‘I haven’t seen any proof that we can’t achieve both separate development and economic progress’; If this questions means, ‘Should we accept a lower growth rate for the sake of separate development, then the answer is yes’; ‘If it means ‘Should we press on with separate development at any price?, then I would have doubts’; ‘We can’t reverse the trend now, but we must alter the concept we started with’; ‘If the repercussions were severe, I would reconsider certain aspects of separate development’. In the views of Welsh it was likely that these answers were representative of a far wider stratum of at least the upper level of the Afrikaner executive class. The Financial Mail concluded: ‘Beneath the worldly, successful exteriors, Afrikaner blood runs strongly and, so long as the Nationalist Party remains the only protagonist of separate development, it will command their loyalty’. Dr. Jan Hupkes, a manager of Federale Volksbelegging, a subsidiary of SANLAM, said on 23 October 1971 that 70% of employers in the private sector would welcome a new government, because firstly the National Party had increased the company tax rate by approximately one per cent per annum during its twenty-three years in power and secondly because South Africa’s political alignment was still based to a greater an extent on linguistic divisions, his remarks were criticised in the Afrikaner press who said he should join the political opposition (United Party).³⁷⁹ Welsh is of the view that, whilst the Afrikaner business community had not played a major role in influencing National Party policy, they did have some influence and they helped the government

³⁷⁹ Ibid, p.272.

in promoting *détente* with English-speaking whites, with a view to creating a white nation and they also promoted the outward-looking foreign policy.³⁸⁰

The Sakekamer obviously had a closer relationship with government than Assocom; the government was deeply suspicious of Assocom, with its mainly English-speaking base. They felt it was too close to the liberal political movements. Both the Sakekamer and NAFCOOC did not make any major visible contribution during the apartheid years to the efforts to change or ameliorate the government's policies. The relationship between Afrikaans business and government will be dealt with more fully in the following chapter.

(d) GENERAL COMMENTS ON THE ATTITUDE OF BUSINESS

Nattrass was of the view that by 1980 there was wide disaffection among South African capitalists with the government and that, 'The old argument that apartheid was functional for capital accumulation and that the interests of capitalism and white supremacy were coterminous had been undermined by then'.³⁸¹ There had been an argument between those, the liberals, who argued that state interference in the economy had retarded and distorted the path of capital development and those who said apartheid was good for business. The latter said that the cheap supply of black labour contributed to the profits of business. In the light of the limitations on the employment of black labour in the Western Cape, this advantage, which Nattrass does not accept, had limited benefit to the area.³⁸² Bolton was of the view that: 'It would be

³⁸⁰ Ibid, p.274.

³⁸¹ Nattrass, 'Controversies about Capitalism and apartheid in South Africa: an Economic Perspective,' p.674.

³⁸² Ibid, p.655.

difficult for business to deny that it had over the years derived enormous benefit from the system of apartheid',³⁸³ but this was a somewhat simplistic view, as some businesses benefited, but many did not. Bolton's view is that business in advanced capitalistic societies has come to be identified with large organisations which dominate the economy and seek to influence the manner in which the state carries out its power.³⁸⁴ In the South African environment the Afrikaner business community had much more influence on government than the English business community. It should also be borne in mind that the greater majority of the members of Assocom came from small businesses as did a number of its presidents.

Oppenheimer, the Chairman of Anglo American, the large mainly mineral corporation, with extensive business in the Western Cape, speaking in 1977, said that: 'For many years, under generally favourable economic conditions and with friendly governments on South Africa's borders, the basic artificiality and instability of the system was largely forgotten or ignored'; but the position had changed and he was of the view that the racial problems of South Africa would not be met by the Tri-cameral Parliamentary system, it being unacceptable to most non-whites.³⁸⁵

The 1998 annual report of First National Bank expressed concern as to the impact of apartheid. It said: 'The economic penalty of the apartheid era has been its opportunity cost. The Gross Domestic Product is well below what it might and should have been by now, and the difference would have contributed to solving many of our problems'.³⁸⁶ The report also said that the outflow of capital from South Africa compounded the opportunity cost in two respects, firstly there has been a withdrawal

³⁸³ Bolton, Business and State in South Africa during the period 1976 to 1986, p.79

³⁸⁴ Ibid, p.ii.

³⁸⁵ Oppenheimer, 'Prospects for Change in Southern Africa,' Address to the Foreign Policy Association, New York City, 14 October, 1977.

³⁸⁶ Quoted in R.M. Price, The Apartheid State in Crisis, p.274.

of scarce managerial and technical skills and secondly the withdrawal of capital funds from South Africa sources resulted in the use of local investment funds, which might otherwise have met socio-political needs.

The annual report of Rand Mines in the same year stated: 'Sanctions are beginning to have an adverse effect on the economy'. This report also noted that the economy was being restricted by the continued absence of substantial capital inflows and that the confidence of overseas investors needed to be restored.³⁸⁷

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³⁸⁷ Ibid, p.274.

CHAPTER 5

IMPACT OF APARTHEID ON AFRIKANER BUSINESS IN THE WESTERN CAPE

When one considers the impact of apartheid on commerce and industry in the Western Cape, one has to pay particular attention to the Afrikaner business community in the area, which gained much from apartheid. Dr. D. F. Malan and his successors as Prime Minister and/or President vigorously promoted Afrikaner rent seeking, often within the bounds of legality. This included providing jobs for Afrikaners, awarding government contracts to Afrikaner enterprises, and vastly extending Afrikaner dominated parastatals. This led to an influx of poorly qualified Afrikaners, particularly at lower levels, and a decline in service levels and professionalism in the public service. Illegal corruption was restrained in the earlier years of apartheid, in the light of the belief of senior public servants that they were serving the *volk* (Afrikaner community).³⁸⁸ (This view was also expressed by Professor Giliomee).³⁸⁹ When the apartheid regime's policies were softened under President Botha, and there was a rise of a consumerist outlook in the Afrikaner community, there was an increase in corruption and the Afrikaner establishments could no longer discipline their employees. This was the period of the Information Scandal (Muldergate), which led to the fall of the President John Vorster. The Erasmus Commission was appointed to investigate the information scandal and Judge Erasmus, in his report, referred to the scandal in the following terms: 'The purpose of the Information Department's secret fund had all the attraction of a lovely fresh apple, but the germ which could cause

³⁸⁸ Hyslop, 'Political Corruption Before and After Apartheid, pp.781-783.

³⁸⁹ Interview with Giliomee on 31.3.2007, Annexure E.

complete rot to set in was already there in the flowering stage because of lack of clarity in the existing statutory control'.³⁹⁰ Large sums of money were siphoned off in this period to promote South Africa's image abroad and at a time when the economy was stagnating. Sanction busting was rife, and those involved were free from scrutiny by the media and parliament. A search for arms led to growing links with overseas criminal networks, including the mafia, which brought with it the temptation for officials to skim off some of the *invisible* money flows. This was also a period when the military increased their influence and displaced civil servants from institutional posts. There was massive corruption in the security services, with covert operations leading to a vast range of opportunities to generate revenue – from ivory to drug smuggling, with growing links to the criminal underworld. The police were more interested in suppressing dissent, than in solving crime.³⁹¹

In 1939 Afrikaner nationalism took stock of its economic situation at an economic conference organised by *Federasie van Afrikaanse Kultuurvereniging* (FAK) (Federation of Afrikaner Cultural Associations). The congress was marked by a strong sense of the Afrikaner's relative deprivation in relation to other whites. It was stated at the congress that it was necessary to mobilise Afrikaner capital, to *conquer* the cities and for Afrikaners to support Afrikaner business. Whilst this approach was criticised as sectional and party-political, the retort was that this was necessary if Afrikaners were to achieve economic self-reliance. The congress also criticised capitalism because it promoted a 'spirit of materialism'.³⁹² The rise in the economic power of the Afrikaner was helped by the post war boom, but the major force was the patronage of the Nationalist government from 1948 onwards. Up until 1948 the Afrikaners were not involved to any great extent in commerce or industry in South Africa. In 1946

³⁹⁰ O'Meara, *Forty Lost Years*, p.241.

³⁹¹ Hyslop, 'Political Corruption Before and After Apartheid', pp.773-789.

³⁹² Welsh, 'Political Economy of Afrikaner Nationalism,' pp.257-259.

30.3% of Afrikaners were involved in agricultural occupations. This declined to 16% in 1960, and to just 8.1% by 1977. The number of Afrikaner 'blue-collar' workers remained static throughout the 1950s (40.7% in 1946 and 40.5% in 1960), but it then dropped precipitously during the boom years of the 1960s and was a mere 26.7% by 1977. Most of the 'blue-collar' workers had moved into skilled and better paid positions and there was a marked increase of Afrikaners in the 'white collar' categories (29% in 1946, 43.5% in 1960 and 65.2% in 1977).³⁹³

The urbanisation of the Afrikaners, together with their movement into more skilled occupations, obviously was a major factor in the improved economic position of the Afrikaners, but their businesses received their biggest boost from the favourable attitude of government to them. O'Meara lists four major factors which contributed to the greater stake of Afrikaners in business in South Africa. These were: the proliferation of state corporations and parastatals under National Party rule placed Afrikaners in positions of control in key manufacturing sectors; government contracts and subsidies benefited the Sanlam industrial investment subsidiary, Federale Volksbeleggings in particular; the three major Afrikaner financial groups, Sanlam, Old Mutual³⁹⁴ and Volkskas, began to diversify their holdings moving into manufacturing in the 1950s; the drop in share prices and flight of foreign capital following Sharpeville in the 1960s was used by Afrikaner business to increase their shareholdings in a wide range of manufacturing and other companies. This increasing role of Afrikaners in private enterprise is illustrated in table 6.

³⁹³ O'Meara, *Forty Lost Years*, p. 138.

³⁹⁴ It is somewhat of a controversial point to consider the Old Mutual as an Afrikaner business as it was formed in 1845 and had in 1946 a mainly English board of directors. Even in 1995 the directors mainly came from an English background. Sanlam always gave the image of the insurance company for Afrikaners in contrast to the Mutual's English image. This does not detract from O'Meara's view that the Afrikaner financial sector, in particular benefited from the actions of the national government.

TABLE 6: AFRIKANER PERCENTAGE OWNERSHIP IN THE PRIVATE

SECTOR	1948-9	1954-5	1963-4	1975
Agriculture, Forestry and Fishing	85	84	83	82
Mining	1	1	10	18
Manufacturing and Commerce	6	6	10	15
Trade and Commerce	25	26	24	16
Transportation	9+	14	14	15
Liquor and Catering	20+	30	30	35
Professions	16	20	27	28
Finance	6	10	21	25
Miscellaneous	27	35	36	45
Aggregate	24,8	25,4	26,9	27,5
Aggregate excluding Agriculture	9,6	13,4	18,0	20,8

+ Estimates

It is apparent from the above table that the major beneficiaries in the Afrikaner business community during the apartheid years were those involved in the financial industrial and commercial sectors with the Cape interests dominating in all these three sectors. In the 1960s Afrikaner finance consisted basically of two groups: Sanlam and its numerous subsidiaries and the Transvaal based Volkskas. The large increase in

Afrikaner involvement in the mining industry followed on the transfer of General Mining by the Anglo American Corporation to Sanlam's subsidiary Federale Mybou.

The Cape based Rembrandt Group grew rapidly after 1948, becoming one of the world's major tobacco corporations and it also had very substantial liquor and other holdings, both locally and overseas. The predominantly Afrikaner controlled Cape liquor industry also boomed after 1948.³⁹⁵ Rembrandt obviously benefited from the Nationalist government, but Anton Rupert, the chairman and founder of the Rembrandt Group had a very stormy relationship with Prime Minister Verwoerd in the 1960s. Rupert was of the view that it was essential that blacks be given the opportunity to own houses in white urban areas, but Verwoerd reacted violently to the suggestion. Rupert then modified his suggestion to one of a 99 year lease, but Verwoerd was incensed with Rupert. He never forgave him and never again spoke directly to him. Verwoerd had previously had an unfortunate experience with an investment, and accordingly did not trust capitalists.³⁹⁶ Rupert's relationship with Verwoerd's successor, Vorster, was considerably easier, but Rembrandt's progress must have been adversely affected by the conflict between Rupert and Verwoerd.³⁹⁷ Rupert was critical of the Bantustan policy, introduced by Verwoerd, which, in his view, more than anything else, resulted in poverty in South Africa. Rupert favoured white investment in black areas, but this was contrary to Verwoerd's policy and was another source of conflict between them.³⁹⁸ By 1981 eight conglomerates controlled more than 60% of the assets in the private sector. Four years later, four of these conglomerates had been taken over by the big four: Anglo American, Sanlam, S A

³⁹⁵ O'Meara, *Forty Lost Years*, p.140.

³⁹⁶ Ibid, p.71.

³⁹⁷ E. Dommissie and W. Esterhuyse, *Anton Rupert*, p.157.

³⁹⁸ Ibid, p.163.

Mutual and Rembrandt, who now together controlled over 80% of the shares listed on the Johannesburg Stock Exchange, with the Afrikaner economic movement being led by Sanlam and Rembrandt.³⁹⁹

The Afrikaner business community in the Western Cape was adversely affected by apartheid, but the benefits they received from the government in the period from 1960 to 1990 more than compensated for this and Afrikaner business boomed in the period. Annexures D (a) and (b) give a summary of the performance of Sanlam from 1971 to 1990. The normal measure of the performance of an insurance company is to examine the changes in premium income and total assets. SANLAM's premium income increased from Rm 92 in 1971 to Rm 533 in 1980 and to Rm 7428 in 1990, and the total assets of Sanlam were Rm 529 in 1971, Rm 2450 in 1980, and Rm 27908 in 1990.⁴⁰⁰ Giliomee said that in the apartheid years the smaller Afrikaner businesses had complained that SANLAM had siphoned off capital that should have gone to them, and that they had not received the benefits which, as Afrikaners, they should have received.⁴⁰¹ Apartheid might have adversely affected SANLAM, but the patronage of the Nationalist government was such that it boosted the company to impressive heights and without government support where would SANLAM have been in 1990? The attitude of SANLAM's management to government policies changed during the years of apartheid. As stated in Chapter 1, Dr. Louw, in his chairman's address at the 1962 annual general meeting, stated that, notwithstanding the attacks from within and without South Africa, the economy had grown to a remarkable degree, there was stability in the political and economic areas, and exports of gold and other items had

³⁹⁹ Ibid, p.177. S

⁴⁰⁰ SANLAM's Annual Reports, 1980 & 1990, pp.3 & 4 respectively.

⁴⁰¹ Interview with Giliomee on 31.3.2007, Annexure E.

shown a remarkable increase. When Dr. Louw referred to 'separate development',⁴⁰² he said that the government was aware of the necessity of expanding and consolidating the Bantustans as soon as possible.⁴⁰³ By the time of his Chairman's Address at SANLAM's 1964 annual general meeting, Dr. Louw was referring to inflationary pressures which had arisen in the economy and to the increasing overseas concern as to the impact of apartheid on the South African people and its economy; yet he also drew attention to the improvement in the conditions of the non-whites in South Africa.⁴⁰⁴

The Chairman's Address to SANLAM's 1986 annual general meeting, given by Dr. F.J. du Plessis was not as confident as those of his predecessors. He said that the South African economy had not performed in a satisfactory manner, growth was low showing the largest fall since the days of the great depression in the 1930s, inflation was at 18% at the end of 1985, and the exchange rate of the rand had sharply declined. Whilst the current account of the balance of payments reflected a record surplus due to the fall in the rand exchange rate, the capital account was a serious problem and South Africa faced a currency crisis. The country was experiencing weak international demand for its products and falling export prices. In Dr. du Plessis's view it had not attracted sufficient overseas investments and had to resort to short-term overseas loans, which were to cause her considerable problems, when overseas banks refused to roll over these loans. Dr. du Plessis referred to the impact that political uncertainty had on the South African economy: to foreigners the fall in the exchange rate of the rand was an indication that the position in South Africa was out of control. Dr. du Plessis also referred to the inflationary impact that the increasing wages for blacks had

⁴⁰² The term was being used by the government in place of apartheid, but the latter term continued to be used, both within and without South Africa.

⁴⁰³ Louw, Chairman's Address to SANLAM's 1962 Annual General Meeting, p.6

⁴⁰⁴ Louw, Chairman's Address to SANLAM's 1964 Annual General Meeting, p.4.

on the economy and he called for a national strategic plan to deal with the increasing danger of overseas sanctions and boycotts to the economy.⁴⁰⁵ The mood in Afrikaner business had changed, panic was in the air. The same Dr.F.J.du Plessis, in his role as president of the Urban Foundation, in an address to its annual general meeting on 31 January 1986, referred to the fact that notwithstanding the political changes which had been made, the pendulum of South Africa's fortunes seem to have been 'permanently stuck at its negative extremity'. The South African government, in Dr. du Plessis' view, had rejected political domination by one community, exclusion of any community from political decision making, racial discrimination and impairment of human dignity, and injustice or inequality in the opportunities available to any community. In Dr. du Plessis' view these developments meant different things to different communities; the whites conceded that they were significant; older blacks conceded that the circumstances they found themselves in had improved, but the young blacks were critical of the tinkering with the system, which they rejected in its entirety, whilst foreign governments and media were not only confused, but disbelieved the sincerity of the government. The position had become more serious in 1985. Dr. du Plessis referred to the actions of government which undermined the sincerity of its reforms. He noted the South African attack on Cabinda in Angola, when the United States Congress was debating the constructive engagement policy; the Botswana attack at the same time as the United Nations Security Council was debating South African issues; the shootings in Cape Town, whilst the British Prime Minister was strenuously opposing sanctions at the Commonwealth Conference; the killings at Langa in Cape Town on the anniversary of the Sharpeville massacres, and on the same date that President P W Botha was interviewed on a United States

⁴⁰⁵ Du Plessis, 'Chairman's Address to SANLAM's 1986 Annual General Meeting,' p.3.

television programme; the *Rubicon* speech by President Botha on 15 August 1985, when a statement on reform was expected, but did not eventuate; and police action against Winnie Mandela at the same time as there was a ministerial announcement that restrictions on her were being eased. Dr. du Plessis found it hard to accept that in all these events were simply coincidental. There were two conflicting theories; firstly that the government's actions were being undermined by right-wing elements, and secondly that the government's insistence that reform could only take place by negotiation with those black leaders who renounced violence, was merely a facade behind which the government would sporadically fuel existing tensions to minimise the chances of negotiations getting under way. The overseas business sector was confused and this increased the 'hassle factor' of doing business in South Africa. Dr. du Plessis said that South Africa had three priorities: violence in black towns must be stopped; the economy must be brought back on a sound footing; and the demise of apartheid must be established and in its place must come a 'just society with equal opportunities for all'. He also said that: 'Signalling the final demise of apartheid and the determined pursuit of reform will have to be clear and unequivocal, if moderation, internally and externally is to prevail'.⁴⁰⁶

In his chairman's address to the 1988 annual general meeting of SANLAM, Dr. F J du Plessis referred to President P.W. Botha's announcement that South Africa can only achieve a just and stable political future, if the economy is sufficiently robust to deal with the economic consequences of achieving this object. In Dr. du Plessis' view the overseas financial sanctions had already weakened the South African economy and that South Africa is in a crisis and needs crisis management to deal with our

⁴⁰⁶ Du Plessis, President's Address to the Annual General Meeting of the Urban Foundation on 31.1.1986, p.4.

problems.⁴⁰⁷ Compared to their approach in 1962, SANLAM management realised in 1988 that change had to come and that apartheid had not provided a viable solution to South Africa's problems, and the economy could not afford the cost. The change in the sentiment in the Afrikaner business community in the 1980s was due to the deteriorating economic situations in South Africa and a concern that the government did not have an answer to the country's political, social and economic problems. The optimistic views of Afrikaner business in the 1960s had evaporated, and they were fearful of what the future would hold.

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⁴⁰⁷ Du Plessis, Chairman's Address to SANLAM's 1988 Annual General Meeting, p.5.

CHAPTER 6

TRUTH AND RECONCILIATION COMMISSION OF SOUTH AFRICA REPORT (TRC)

The TRC was a court-like body, set up by the government of National-Unity, which assembled after the end of apartheid, giving anyone, who had been a victim of violence under apartheid, the opportunity to be heard. Perpetrators of violence during the apartheid period could also give testimony and request amnesty from prosecution.⁴⁰⁸ The report of the TRC on the institutional hearings on business and labour referred to the complex power relations of apartheid which included the consequences of job reservation, influx control, wages, and unequal access to resources, migrant labour and the hostel system. The report said that two dominant positions emerged. One saw apartheid as part of a system of racial-capitalism, and thus was beneficial for white business. According to this view, business as a whole, benefited from the system, but some sectors of the economy, notably Afrikaner business, the mining and armaments industry benefited more than others. The other position, which was argued by the business community, claimed that apartheid raised the cost of doing business, eroded the skill base and undermined long-term productivity and growth.⁴⁰⁹

The TRC referred to what they called *first order involvement*, where business played a central role in designing and implementing apartheid policies, which applied particularly to the mining industry and that this approach resulted in lower costs and

⁴⁰⁸ http://en.wikipedia.org/wiki/Truth_and_Reconciliation_Commission,
R. Wilson, *The Politics of Truth and Reconciliation in South Africa: Legitimizing the Post-Apartheid State*, pp26-26.

⁴⁰⁹ *Truth and Reconciliation Commission of South Africa Report, Volume Four*, pp.19-20.

increased profits. The *second order involvement* referred to those businesses whose dealings could not reasonably be expected to have contributed directly or subsequently to repression. Here the example the TRC gave was those businesses that supplied armoured vehicles to the police during the mid-1980s. The TRC said that both businesses of the first and second order involvement had more to answer for than other businesses. Finally the TRC referred to *third order involvement*, which referred to those businesses who benefited indirectly by virtue of operating within the apartheid system.⁴¹⁰

In evidence before the commission, the Anglo American Group and the South African Breweries Group, both with extensive Western Cape interests, referred to the special relations between Afrikaner business and the ruling Nationalist Party. Whilst SANLAM, the large Afrikaner insurance conglomerate, did not consider that they had any preferred status with the Nationalist Party, Professor Sampie Terblanche agreed that the government favoured Afrikaner business.⁴¹¹

In its evidence to the commission the National African Federated Chamber of Commerce (NAFCOC) said that the apartheid state systematically undermined black business. This was achieved by discriminatory legislation, the application of the Group Areas Act and the allocation of licences, and by other means. These measures restricted and stifled black business and also gave white business the opportunity to take advantage of the business opportunities denied to black business. These businesses were denied the opportunity to trade in white areas in terms of the Group Areas Act. Those black businesses which obtained licences to trade in certain areas in petrol, liquor etc. benefited to some extent as there was limited competition, as a result of the implementation of apartheid policies. This provided some measure of

⁴¹⁰ Ibid, pp.24-26.

⁴¹¹ Ibid, pp.30-31.

protection for those few businessmen who obtained licences, and in evidence before the commission the Indian-owned Avalon Cinemas said that it could not operate in white areas, but the white-owned Ster Kinekor was permitted to operate in Indian areas. The Islamic Chamber of Commerce said to the commission that there were black businesses who 'collaborated with the apartheid regime, were involved in sanction-busting, and together with corrupt politicians in the tri-cameral government were engaged in procuring business contracts, land, houses etc. for their own benefit to the exclusion of those rightfully deserving of these assets'.⁴¹² The commission was of the general view that the overall impact of apartheid was to 'undermine black business systematically and perniciously, and in addition the government limited the development of black managerial expertise, thus prejudicing the acquisition of business skills by blacks.'⁴¹³

In its findings arising out of the business sector hearings the commission said that business was central to the economy that sustained the South African state during the apartheid years. They also remarked that certain businesses, especially the mining industry, were involved in designing and implementing apartheid policies and in the commission's view most white businesses benefited from operating in a racially structured context.⁴¹⁴ Overall the commission was critical of white business in its actions during the apartheid years. They considered that generally white business benefited from apartheid, in contrast to the view expressed by business that apartheid adversely affected them.

⁴¹² Ibid, p.35.

⁴¹³ Ibid, p.32.

⁴¹⁴ Ibid, p.58.

CHAPTER 7

CONCLUSION

From 1960 to 1974 there was an era of substantial and unparalleled growth in the South African economy, following on steps taken by government, after the Sharpeville massacre to restrict imports and reduce capital outflows. The Western world was at the same time experiencing the latter end of the 'long boom', which boosted the local economy. It was generally agreed by businessmen that apartheid adversely affected the South African economy, but Middlemann said that there were three economic events which disguised the reality of the South African situation in the years from 1946 to 1976. These were firstly, the substantial increase in gold production following on the discovery and development of the Free State and Far West Rand goldfields, and secondly, this was combined with the dramatic increase in the price of gold, and this increased revenue was used to develop the countries natural and human resources. Thirdly, there was the significant contribution made by the 'brilliant' Afrikaner entrepreneurs to the South African economy.⁴¹⁵ From 1976 onwards the South African economy weakened following on the slump in the world economy. Conditions became ripe for the outbreak of black violence. Weak reforms in the 1980s led to mass insurrection, which caused the debt standstill; South Africa became a net exporter of capital and the value of the rand collapsed. During the 1980s there was ever greater

⁴¹⁵ Middlemann, Address to Annual General Meeting of the Cape Town Chamber of Commerce, 24.5.1960.

concern in the Afrikaner business community as to the political, social and economic conditions in the country.

The Western Cape had no mining industry and was far from the country's economic centre, which affected its economic performance. Yet the area did have great strength in agricultural, property and financial services. In the view of Western Cape businessmen, apartheid had a negative impact on their businesses, but there were certain businesses in the area which prospered. Professor Thomas said that the Western Cape benefited in being far from the major markets and also because of the strict labour laws which restricted the use of black unskilled labour. These factors caused the development of high-tech service industries in the area.⁴¹⁶ Business in South Africa suffered punitive rates of tax, both at corporate and individual level, in order to pay for the country's disastrous apartheid policies. Whether the South African tax rates were higher than in other countries is a moot point, but businesses in other countries received generous tax allowances and incentives not enjoyed in South Africa. Furthermore job reservation, together with the coloured labour preference policy created a major shortage of skilled and semi-skilled labour in the area. This created problems for Cape industrialists in particular and was of great concern to the Cape Chamber of Industries. The administration of the coloured labour preference was a burden for business, as the process of obtaining exception was slow and laborious, but towards the end of the apartheid years job reservation was relaxed, and in addition many non-whites were illegally employed in skilled and semi-skilled positions.

The government's decentralisation policy took capital away from the Cape as the incentives were so attractive that investments went into border areas. The only

⁴¹⁶ Interview with Thomas on 6.4.2006, Annexure E.

economic growth point in the Western Cape was at Atlantis, which failed. The Group Areas Act restricted business' trading operations and moved workers far from their jobs, which created economic and social problems. Sanctions and boycotts affected the Cape's fruit and wine exports and frightened off visitors to the Cape. If one considers the present tourist boom in the Western Cape one appreciates how much revenue Western Cape business lost in the apartheid period.

The major concern of Cape business was the lack of a stable social environment in the area. Business cannot prosper in uncertain times, when there are civil disturbances of one form or another. Giliomee said that any liberal policies adopted in the period would have created unstable conditions in the country and played into the hands of communists. He also said that there was less corruption under apartheid than there was now, as in the early years the Afrikaners had the ideal of apartheid and now there was only greed.⁴¹⁷ Whilst business in the area generally suffered from the effects of apartheid, certain businesses, particularly Afrikaner business, prospered. The patronage they received from government more than made up for the adverse effects of apartheid on their businesses.

Organised business, mainly Assocom, pressed government for change, particularly in times of a downturn in the economy. In the 1980s one saw increasing criticism of government policy from the Afrikaner business community. The Truth and Reconciliation Commission was of the view that business was central to the economy that sustained the South African state during apartheid and that it systematically undermined black business.

Overall the review of the impact of apartheid on business over the period gives mixed messages. On the one hand apartheid restricted the economic development of the

⁴¹⁷ Interview with Giliomee on 31.3.2007, Annexure E..

country, but on the other hand certain businesses prospered under apartheid, notably the Afrikaner business sector. The South African businessmen, both English and Afrikaner, were skilful in adapting to the difficult conditions in South Africa which were brought about by apartheid, and in many cases they prospered.

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Annex A

TABLE 10.3

TOTAL TAXES PAYABLE (WITH AND WITHOUT SURCHARGE/(DISCOUNT)) ASSUMING PROFIT TAXED IN COMPANY AND ALL AFTER-TAX PROFIT DISTRIBUTED TO INDIVIDUAL SUBJECT TO MAXIMUM TAX RATE

YEAR	A COMPANIES		B INDIVIDUALS		C INDIVIDUALS THROUGH COMPANIES COMBINED		D DIFFERENTIAL (C-B)	
	Excluding Surcharge (per cent)	Including Surcharge (per cent)	Excluding Surcharge (per cent)	Including Surcharge (per cent)	Excluding Surcharge (per cent)	Including Surcharge (per cent)	Excluding Surcharge (per cent)	Including Surcharge (per cent)
1960.....	30	30	50	47,5	53,33	52,17	3,33	4,67
1.....	30	30	50	45	53,33	51	3,33	6
2.....	30	30	50	50	53,33	53,33	3,33	3,33
3.....	30	30	50	50	53,33	53,33	3,33	3,33
4.....	30	30	50	47,5	53,33	52,17	3,33	4,67
5.....	30	31,5	50	47,5	53,33	53,19	3,33	5,69
6.....	30	31,5	50	47,5	53,33	53,19	3,33	5,69
7.....	33,33	36,67	50	50	55,55	57,78	5,55	7,78
8.....	33,33	36,67	50	50	55,55	57,78	5,55	7,78
9.....	33,33	36,67	50	50	55,55	57,78	5,55	7,78
1970.....	40	40	45	47,25	58	58,9	13	11,65
1.....	40	40	45	47,25	58	58,9	13	11,65
2.....	40	40	60	66	64	66,4	4	0,4
3.....	40	41	60	72	64	69,32	4	(2,68)
4.....	40	41	60	66	64	66,96	4	0,96
5.....	40	41	60	63	64	65,78	4	2,78
6.....	40	41	60	63	64	65,78	4	2,78
7.....	40	43	60	66	64	68,08	4	2,08
8.....	40	43	60	66	64	68,08	4	2,08
9.....	40	42	60	60	64	65,2	4	5,2
1980.....	40	42	55	55	62	63,27	7	8,27
1.....	40	42	50	50	60	61,33	10	11,33
2.....	40	42	50	50	60	61,33	10	11,33
3.....	42	46,2	50	50	61,33	64,13	11,33	14,13
4.....	42	46,2	50	50	61,33	64,13	11,33	14,13
5.....	50	50	50	50	66,67	66,67	16,67	16,67
6.....	50	50	50	53,5	66,67	67,83	16,67	14,33

(Source: South African Institute of Chartered Accountants.)

ANNEXURES

Annex B
**TABLE 10.10: TRADE SANCTIONS IN FORCE AGAINST
 SOUTH AFRICA, 1988**

	Imports from South Africa							Exports to South Africa				
	A	B	C	D	E	F	G	H	I	J	K	
Belgium		x			x		x			x		
Canada	x	x	x	x	x	x	x	x	x ¹	x	x	
France		x		x ²	x		x	x	x	x		
W Germany		x			x		x		x	x ⁴	x	
Hong Kong		x			x		x					
Israel		x			x ³		x ³		x			
Italy		x			x		x			x		
Japan	x	x ¹			x		x	x		x		
Netherlands		x		x ¹	x	x	x		x	x	x	
Switzerland							x	x		x		
UK		x			x		x	x	x	x	x	
USA	x	x	x	x	x	x	x	x	x	x	x	

⌋ Voluntary ²Phase-out for parastatals ³Quota freeze ⁴Restrictions short of outright ban

A = Agricultural produce H = Computers to security forces/government agencies
 B = Gold coins I = Oil and petroleum products
 C = Procurement by government J = Nuclear related items
 D = Coal K = Export support/promotion
 E = Iron ore/pig ore
 F = Uranium
 G = Steel

TABLE 17.7: FOREIGN VISITORS TO SOUTH AFRICA,
1959-88 (SELECT YEARS)

Year	Total
1959	160 635
1960	169 534
1961	170 912
1963	217 005
1965	226 896
1970	389 694
1973	610 170
1975	730 368
1976	638 479
1977	589 025
1978	644 329
1979	682 198
1980	702 794
1981	708 716
1982	659 913
1983	704 444
1984	792 387
1985	727 552
1986	644 502
1987	703 351
1988	804 985

10 YEAR REVIEW

		1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
ASSETS											
Fixed property	Rm	84	108	129	162	188	227	262	308	343	438
Shares	Rm	118	123	152	178	214	248	263	312	347	458
Public Sector securities and loans	Rm	144	169	198	219	258	321	420	491	707	773
Other interest-bearing investments	Rm	137	147	150	209	241	265	313	379	407	621
Current assets	Rm	46	61	72	60	72	82	92	105	136	160
Total assets	Rm	529	606	702	828	973	1 143	1 350	1 595	1 940	2 450
INCOME AND EXPENDITURE											
Premiums	Rm	92	115	142	173	187	219	255	296	387	533
Investment income (pre-tax)	Rm	33	38	44	54	71	86	107	129	155	207
Policy benefits	Rm	42	52	62	66	78	97	114	126	142	167
Administrative expenditure	Rm	10	12	14	16	19	20	22	23	25	31
Sales remuneration	Rm	9	12	14	17	19	19	19	23	31	46
RATIOS											
Gross investment income on asset average	%	7.1	7.3	7.4	7.8	8.6	8.9	9.4	9.6	9.6	10.4
Administrative expenditure as a percentage of premiums	%	10.7	10.4	9.9	9.2	9.9	9.2	8.4	7.6	6.6	5.8
BONUSES ON INDIVIDUAL POLICIES											
RSA Currency (other rates applicable to Zimbabwe)											
Bonus per 1 000 sum assured											
- where Sanlam is not liable for tax	%	31.0	31.0	31.0	31.0	31.0	33.0	33.0	33.0	35.0	36.5
- where Sanlam is liable for tax	%	27.5	27.5	27.5	27.5	27.5	29.0	29.0	29.0	31.0	32.5
Bonus per 1 000 bonus already declared											
- where Sanlam is not liable for tax	%	48.5*	48.5*	50.0*	50.0*	55.0*	58.0	58.0	58.0	61.5	64.0
- where Sanlam is liable for tax	%	45.0*	45.0*	45.0	45.0	45.0	50.0	50.0	50.0	53.5	56.0
Terminal bonus as a proportion of bonuses declared (maximum)	%	45.0**	45.0**	52.5	52.5	52.5	55.0	60.0	60.0	65.0	65.0
POLICIES AND GROUP MEMBERS											
Number of individual policies	(000)	591	641	698	750	800	836	862	895	946	1 045
Members of group schemes (approximately)	(000)	240	260	290	330	380	430	440	470	490	530
PERSONNEL											
		4 200	4 700	4 600	4 600	4 500	4 300	4 100	4 200	4 600	5 300

* Rate applicable to endowment policies. The bonus rate on whole life policies was 2.5% lower.

** Rate applicable to endowment policies. Rates for whole life policies varied.

Ten-year review

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Average yearly growth rate
Assets (R million)											
Fixed property	473	673	801	976	1 247	1 413	1 592	1 816	2 205	2 838	21 %
Shares	506	711	1 058	1 228	1 459	2 154	3 030	3 879	6 252	9 754	36 %
Securities and loans: Public sector	1 037	1 531	2 000	2 536	3 160	4 061	5 143	6 204	6 192	8 250	27 %
Other interest-bearing investments	801	695	792	1 012	1 167	1 100	1 818	3 804	6 037	4 730	23 %
Fixed and current assets	256	322	398	506	747	866	1 049	1 290	1 739	2 336	29 %
Total assets	3 073	3 932	5 049	6 258	7 780	9 594	12 632	16 993	22 425	27 908	28 %
Income and expenditure (R million)											
Premium income	645	861	1 079	1 314	1 605	2 087	3 527	5 174	6 036	7 428	30 %
Investment income	293	420	540	684	872	1 075	1 320	1 739	2 451	2 990	31 %
Policy benefits	224	300	395	545	759	1 003	1 409	1 937	2 436	3 880	37 %
Administrative expenses	43	58	71	83	107	133	170	225	289	408	29 %
Sales remuneration	67	77	73	103	129	188	263	380	461	546	28 %
Adjusted for inflation (to the 1990 rand)											
Premium income	2 197	2 556	2 829	3 102	3 292	3 619	5 226	6 751	6 908	7 428	13 %
Investment income	998	1 247	1 416	1 615	1 788	1 864	1 956	2 269	2 805	2 990	14 %
Policy benefits	763	890	1 036	1 287	1 557	1 739	2 087	2 527	2 788	3 880	19 %
Administrative expenses	146	172	186	196	219	232	252	294	331	408	13 %
Sales remuneration	228	229	191	243	265	326	390	496	528	546	12 %

Annexure E

INTERVIEWS

Bill Neate on 2.3.2006

Philip Krawitz on 4.4.2006

Herbert Hirsch on 5.4.2006

Professor Wolfgang Thomas on 6.4.2006

John Drake on 8.9.2006

Kenneth Marcus on 20.9.2006.

Raymond Ackerman on 24.10.2006.

Professor Hermann Giliomee on 31.3.2007.

Gerald Shaw on 4.4.2006.

University of Cape Town

BILL NEATE: INTERVIEW ON 2 MARCH 2006

Neate joined Imperial Cold Storage (ICS) in 1942 and became Chairman and Managing Director in 1978. He retired in 1989, but remained on the board until 1994. He was involved in the company's operations in the Cape, as a local general manager in 1968 and before that in 1966 he was the Managing Director of Sea Harvest, a company set up by ICS in 1964, which was a joint-venture fishing operation established at Saldanha in the Western Cape. Dutch and Spanish companies held shares in Sea Harvest.⁴¹⁸ ICS was involved in the perishable food industry with the main operations of their business in the meat, dairy and ice-cream industries. But with the establishment of Sea Harvest they diversified into commercial fishing. Neate commented that ICS was involved in the white fish (hake etc.) industry, but they could not get permits to operate in the pelagic (sardines, pilchards etc.) fish industry as these permits were only granted to friends of the government.

Neate commented on the adverse effect of apartheid on ICS, particularly in relation to their Cape interests. With regard to taxation, he had no particular comments, expressing the view that his company paid the same tax as other companies with one major exception; the co-operative societies enjoyed preferential tax treatment. This put them in an advantageous position in competing with commercial trading companies. ICS was at a distinct disadvantage, when competing with co-operative societies. In addition these societies received cheap finance from the Land Bank. These concessions enabled them to offer considerable benefits to the farmers (producers), which ICS could not match. In addition the cooperatives had great influence on the Marketing Boards. Whilst the favoured treatment received by cooperatives was not a direct policy of apartheid adopted by the Nationalist government, the cooperatives enjoyed these

⁴¹⁸ Brooke Simons, Ice Cold in Africa, p.238.

benefits owing to the fact that the farming community (members of the cooperatives) were a major source of the National Party' political power.

The main impact of apartheid on ICS was in respect of job reservation and in particular the coloured labour preference policy which applied in the Western Cape. Neate spoke on the difficulties they had in obtaining coloured milk deliverers at the time when milk was delivered door-to-door. It was only with great difficulty, much effort and long meetings with government that they were able to employ blacks to deliver milk. The coloured community were not interested in this occupation. In addition to the normal wages, which ICS had to pay, they also were required, at their own cost, to erect hostels to accommodate their contract black milk deliverers. With regard to sanctions and boycotts ICS had problems in obtaining know-how relating to perishable food production from overseas sources. Many overseas countries were not prepared to do business with South Africa and in one case a contract for the supply of technical knowledge was cancelled after the government of the country concerned applied pressure on the proposed supplier of the information. There were problems for ICS in obtaining trawlers from overseas shipbuilders and they had to rely on the local shipbuilding industry whose costs were considerably higher than those of overseas shipbuilders.

Civil disturbances in South Africa as a result of the apartheid policies created problems for ICS and affected the company's profitability. There were lockouts in Johannesburg, Pretoria and Durban, which impacted on the profitability of ICS. Military conscription, which was introduced by the apartheid government, had a major impact on the operations of ICS, as key personnel were called up for military service when their services were urgently required by the company.

Neate was of the view that apartheid affected the development of the company, as they were not able to branch out into other trading areas. It also placed limitations on their exports and imports, especially equipment. ICS however made money in the apartheid years. ICS's annual report for 1988 gives the review of the trading results of the company from 1982 to 1989. It shows that the company's profitability was reduced in the years from 1983 to 1986 but that the profitability increased dramatically in 1987 and 1988.⁴¹⁹

Neate said that in the early years of apartheid there was stability which was good for the operations of the company, and in his view the company was master in its own house. In the latter years of apartheid, however, stability broke down and this affected ICS' profitability. Neate said that he was not aware of any prejudice by the central government against the Western Cape because of its more liberal approach. He said that ICS did not make contributions to any political party and adopted a non-political attitude.

Overall, in his view apartheid did not have a major impact on ICS nationally nor in the Western Cape with the exception of the coloured labour preference policy which was adopted in that area.

PHILIP KRAWITZ: INTERVIEW ON 4 APRIL 2006

Philip Krawitz is the Chief Executive Officer of the Cape Union Mart Group (CUM) and has held that position since 1980, joining the group in 1970 when his father became ill. Krawitz was President of the Cape Town Chamber of Commerce and President of the Southern African Chamber of Business, and he was prominent in many civic organisations.

⁴¹⁹ ICS Annual Report 1988, P.1.

CUM was originally a general store, which tried to be different in the range of stocks it held and in providing out of season wear. They operate a range of retail stores dealing with outdoor wear, and they have a range of stores providing uniforms for security and other staff. The group also has a manufacturing division making uniforms and other outdoor gear. In addition the group has a property division, buying and selling properties. CUM's head office is in Cape Town, but they carry on business throughout South Africa. In the apartheid period CUM tried to source stocks globally, but they ran into difficulties in doing so owing to the hostile attitude in overseas countries to the South African apartheid policies. The management of CUM visited overseas trade shows and in many cases the stallholders would not talk to them. Krawitz said that the heavy tax burden on both companies and individuals restricted the development of companies. He said that: 'Bad law had created crooks out of honest people': a practice of tax avoidance⁴²⁰ had arisen and many adopted the view that any means could be used to reduce one's tax liability; it was felt that it was legitimate to avoid paying tax, if one had reservations as to how those taxes were spent.

The significant deficit on the capital account of the balance of payments in the worst years of apartheid, led the government to introduce strict controls on imports in order to achieve a surplus on the current account of the balance of payments. These measures included an Import Surcharge⁴²¹. There were also high duties on imports, and the result was that after paying all the taxes there was little left over for business to finance development. As a result CUM only expanded from a one-store operation

⁴²⁰ *Tax aviosion* is the practice of arranging one's affairs to minimise the tax liability in manner which is not illegal, but very close to being so.

⁴²¹ In effect an additional form of tax, which it was originally stated would be temporary but was not repealed for a number of years.

in the late 1980's. The government also restricted imports by requiring importers to obtain permits from government for all imports. This set up an enormous bureaucracy, and the system was basically corrupt and was open to abuse and bribery. Importers had to spend an inordinate amount of time in obtaining permits, and businesses situated in the Cape had to frequently visit Pretoria as this was the only way they could obtain permits. Imports were essential for CUM, as they formed a significant part of their turnover and the arrogance of the officials was such that in many cases they demanded 'favours' before granting permits.

CUM was severely affected by the coloured labour preference policy which restricted the employment of blacks in the Western Cape. Krawitz said that the coloured community was not keen on jobs requiring manual labour.⁴²² There was a large pool of blacks available to do this work, but it was a major administrative burden to get the permits needed before they could employ blacks. There was even a service industry of consultants assisting businesses to obtain these permits.

CUM was one of the first companies to employ coloured sales staff, but there was some resistance from customers, who had been brought up on the insidious diet of apartheid. Government policy had created tensions between CUM's staff and their customers.

A major impact of the Group Areas Act was that the poor were moved far from their places of employment. Initially government subsidised the additional travel costs, but later this was forgotten, when severe restrictions had to be placed on government expenditure. Employers thus had to increase salaries of their non-white staff to cover this additional cost burden on these members of staff. A further point was that the long hours that the non-whites needed to get to work affected their productivity, and

⁴²² Shaw said that whilst coloureds might not be inclined to do manual labour, many had in earlier years been manual labourers with local authorities, Interview with Shaw on 4.4.2007, Annexure E.

the employers could not ask them to work overtime no matter how urgent the need was.

CUM was also affected by the Group Areas Act in relation to a shop they traded in on the boundaries of District 6 and which received strong support from the local coloured community. When the mainly coloured population was moved out far from the centre of town, their profitable shop was no longer viable. The Central Business District never recovered from the dislocations caused by the Group Areas Act.

With regard to decentralisation benefits, Krawitz, said that the government created an unsustainable business model, and they used business to achieve purely political objectives. The government paid businesses to open their factories adjacent to the black areas, but most of these businesses did not survive, and they provided unfair competition to businesses established in urban areas. They could negotiate special wage agreements to pay their workers low rates of pay which created chaos in the industry, undercutting and distorting the economy. CUM could not compete with industries set up in the Border areas, in view of their low wage rates.

CUM earned a considerable turnover with foreign tourists. These tourists were particularly interested in the safari goods which were stocked by CUM. Prior to the apartheid years, South Africa was a regular port of call for the cruise liners. The passengers on these liners were good customers of CUM. As the apartheid policies toughened, the operators of the cruise liners decided that South Africa, for political reasons, was off limits.

Since the fall of apartheid, there has been tremendous growth in the hotel industry in the Cape and one has also seen a vibrant and expanding self-catering and bed and breakfast accommodation industry, accompanied by a dramatic increase in the number of restaurants in the Cape. Obviously the Cape lost considerable tourist revenue

owing to apartheid. During the apartheid years tourists did not come to South Africa because they considered that it was not a safe place to visit. In addition many potential tourists did not come here for moral reasons.

In Krawitz's opinion, in some ways apartheid was hugely successful, but in other ways it was only partly successful. South Africa began to realise that the 'laager'⁴²³ mentality would not see us through. In the modern world isolation did not work, and one could not be part of the global community and have isolationist policies. The effects on South African business were dramatic; there were countries that one couldn't visit, let alone trade with, and this was particularly so with regard to Scandinavia. One could obtain any goods from anywhere in the world, but at a premium. For example, with regard to Norwegian socks, one could not purchase them direct from Norway, but one could purchase them from wholesalers in Britain at greater cost, 30% to 40% more. As a result of sanctions luxury items and motor vehicles were more expensive in South Africa than in the rest of the world.

In one way sanctions were effective. Consumer boycotts were particularly effective as was the anti-South African attitude of the overseas trade unions. The activities of dock and postal workers often disrupted exports to South Africa. Civil disturbances particularly in the latter years of apartheid created problems for CUM. The head office of CUM was situated near to Parliament, and accordingly CUM suffered disruptions to their normal trading activities and damage to their premises. The imposition of military conscription on whites caused severe disruption particularly to small businesses. It exacerbated the skill shortage and CUM, as did other companies, made up the difference between the military pay and the pay the serviceman normally

⁴²³ Isolationist approach

received. This was an additional cost on business, without any additional revenue accruing.

Krawitz said that apartheid affected business in many ways. He quoted a commentator who said that 'When the rate of internal disintegration exceeds the rate of external disintegration, a family, a company or a country will cease to exist'. Krawitz was of the view that apartheid hindered a company from building up team spirit in the company. The provision of separate amenities for each racial group, created barriers between these groups. In addition the provision of these separate amenities was an added cost burden for the company. Krawitz said that in the apartheid economy everything was a favour. Corruption was rife in areas like import control and the obtaining of permits for black labourers in the Western Cape. Much energy had to be expended by the corporate sector in dealing with the apartheid bureaucracy. The corporate sector is doing well today, as it survived apartheid.

The profitability of companies who imported was affected as they earned lower profits than in earlier years. Companies had to bear the costs of separate staff facilities and the cost of dealing with import control including the employment of special consultants to facilitate them getting reasonable import control allocations. The period from 1976 to 1986 was the worst for business: riot insurance cover had to be obtained, and there was considerable damage to CUM's stores from riots. Business tried to influence government to change its policies, without achieving as much as it hoped. Krawitz said that he was a non-political person, who tried to bring about changes in government policy. These activities had an impact on his business in view of the time taken in discussions with government mainly through the Chamber of Commerce movement.

HERBERT HIRSCH : INTERVIEW ON 5 APRIL 2006

Hirsch was the Chief Executive Officer of a small import agency, Walter Hirsch, which was family owned. This company imported fabrics, mainly from the East, and then on-sold them to chain-stores and the garment industry.

Hirsch was a member of the Cape Provincial Council from 1974 until 1986, and a Cape Town City Councillor from 1972 to 1984. In both cases he was a representative of political parties, in opposition to the Nationalist government. Over the years he was involved in many community organisations, being President of the Cape Town Chamber of Commerce in 1992, and earlier being involved in ratepayers' associations. In his view sanctions did not have a major impact on his business. He said that sanctions had more serious implications for exporters. Foreign companies, who exported to South Africa, often could get round the sanctions which their governments imposed, possibly by routing their exports to South Africa via an intermediate country. Job reservation had had little impact on Walter Hirsch, as they had a small staff. The heavy burden of tax had an impact on the company, but was not of great concern to him.

In Hirsch's view the business climate was difficult, when the conditions in the country were unsettled. Protective tariffs and import control assisted the local manufacturing industry, and it was a closed market, which resulted in a number of protected industries, who often were inefficient and not globally competitive. Because of protection, in Hirsch's view, white bosses in the manufacturing industry had an easy time, not having to face overseas competition. The weak rand affected Walter Hirsch, as it made its fabrics considerably more expensive. Military conscription did not impact directly on Hirsch's company, but it created uncertainty in the market, which impacted on business.

The company's profitability was not directly affected by apartheid. Hirsch himself was very involved in the Chamber of Commerce movement, trying to influence the government to change its policies. Hirsch said that his company would have been more profitable if he had not had this involvement, nor his involvement in politics. In Hirsch's view the major impact of apartheid on business was when there were major civil disturbances in the country. In his view there was a particular downturn in sentiment in the business community after President P.W.Botha's 'Rubicon' speech in 1985, and that the action taken by President de Klerk in 1990 was as a result of economic pressures.

With regard to the Provincial Council, wide ranging economic debates did not take place in the Council, as its mandate was very restricted, mainly covering education, transport and health. Further the Council only raised about 10% of its income, the balance being provided by central government, and this meant that the Council's activities were strictly controlled by central government. Hirsch did not consider that the Cape's liberal attitude had any impact on decisions by central government relating to funding of Cape development. The Provincial Council was controlled by the Nationalist Party, in contrast to the Cape Town City Council which was controlled by opposition parties. In Hirsch's view this did not impact on the provision of funds by central government to the Cape area. With regard to the Cape Town City Council budgets, these only required the overall approval of the central government, in order to ensure that the budgets were in line with central government economic planning. The central government had no control over how the city of Cape Town spent their revenue.

Hirsch said that one of the effects of apartheid was a decline in moral standards. Importers adopted the tactic of arranging with their suppliers to over-invoice the goods imported, the overpayment being kept overseas in an account in the importer's name, in contravention of the exchange control regulations. Overall Hirsch was of the view that apartheid did not materially affect the profitability of his business. Apartheid, however, created uncertainty in the market, and in his view South Africa would have been in a much stronger economic position, if more liberal policies had been adopted by the government.

University of Cape Town

PROFESSOR WOLFGANG THOMAS: INTERVIEW ON 6 APRIL 2006

Thomas has had a long academic career, firstly as a lecturer at Stellenbosch from 1964 to 1970, and then as a senior lecturer in economics at University of Cape Town in 1972. In 1975 he joined the University of the Western Cape as a Professor and head of the Institute for Social Development, in 1977 he was deported for his political activities, returning to South Africa in 1980 to the University of the Transkei, where he was head of the Economics Department. From 1983 to 1986 he was a Professor and Head of the Economics Department at the University of the Western Cape.

He was involved in an initiative that aimed at developing the Western Cape called Wesplan, and in 1986 was appointed to the board of directors of the Small Business Development Corporation. In that year he was also appointed to the board of Wesgro, a private and public partnership set up to promote the growth of the Western Cape. He has been involved with the coloured community, particularly in relation to labour matters and entrepreneurship in small business in that community.

At the outset of the interview, Thomas said that the Western Cape had benefited to a considerable degree by being far from the major South African markets and not being reliant on an unskilled black labour pool. In the late 1970s the Western Cape lagged behind the rest of the country, but by the 1980s the relatively better educated coloured community, and other factors, gave the area an advantage. The Western Cape moved into the more modern technically advanced areas, and by the second half of the 1980s the Western Cape was leading the rest of the country. The growth in the Western Cape was not reliant on an increase in population due to an influx of blacks, nor on decentralisation benefits, but had the benefit of the relatively well educated coloureds,

and the area had an economy not reliant on manual labour. The Western Cape benefited from being on the sea, which assisted exports, and had considerable tourist appeal. The Western Cape thus concentrated on services, particularly of a high-tech nature. When, after the fall of apartheid, the blacks flocked to the Cape, they were a large consumer market, which benefited the area.

Thomas was of the view that in the 1970s and 1980s our tax rates were not out of proportion with the rates of tax applicable in the rest of the world. South Africa did have a problem in that it was a small economy, with no economies of scale, so that there was a very small tax base. Under apartheid there was very little, if any, spending on black development and the money saved was used to pay for the ever rising cost of the security forces, Bantustans and other apartheid policies. In Thomas' view the overall tax burden in the period was still too high.

Thomas agreed that job reservation, combined with the emigration of skilled whites, created severe inflexibility in the labour market in the Western Cape. Business in the Western Cape could not legally promote blacks, so if they wanted to do so they had to use them in positions out of the public eye, and in addition they could not give their black employees any form of outside technical training. Job reservation restricted the opportunities to promote coloureds and in many cases they too were employed in areas out of public scrutiny. When Western Cape businesses employed blacks illegally, they were at risk of being prosecuted, as the authorities undertook raids on businesses to see whether they were complying with the labour laws. The problems created by the coloured labour preference policy in attracting coloureds to jobs requiring manual labour, was due to the fact that there was a stigma in the coloured community in undertaking manual labour. Shaw, did not agree that the coloured

community was not inclined to manual labour, as a large number were previously employed by local authorities as manual labourers in the Western Cape.⁴²⁴

In the 1960s and 1970s the Cape was not an attractive area to those resident in the then Transvaal. In fact during that period there was a considerable migration of skills from the Western Cape to the north. The Western Cape was not industrialised and had fewer highly remunerative job opportunities, compared to the then Transvaal. In the 1980s the paradigm changed, as new industries were set up in the Western Cape and they attracted up country skills.

Decentralisation benefits, generally not accruing in the Western Cape, created a position which was disadvantageous to conventional labour-intensive industries in that area. These benefits were granted at Atlantis in the Western Cape, but this development was a failure. Initially Mercedes established a diesel engine manufacturing plant at Atlantis in the Western Cape, but when this closed, there was not much left there. The government's policy of housing blacks far from employment opportunities had its cost implications through employees, but in Thomas' view the major problem this policy created was in its impact on the productivity of workers. In Thomas' view the restrictions on employing black labour assisted the development of the Western Cape, in that it gave greater opportunities to the coloured population. He said that the coloureds would not have progressed as much, if the black influx had been greater, and provided cheap unskilled labour, and also the area was not subject to the political pressure from a large black population. He said that Professor van der Ross had been in favour of the coloured labour preference policy, and that his views had been shared by David Currie of the Labour Party. He was not sure whether Professor van der Ross would still have the same views today.

⁴²⁴ Interview with Shaw on 4.4.2007, Annexure E.

Thomas said that South Africa's poor overseas image impacted on tourism. The domestic tourism market was limited in the apartheid years to whites. Thomas said he believed there were approximately two million overseas tourists a year in the period from 2000 to 2005. In 1994 he estimated that we had approximately one million overseas tourists. In the 1970s the number of overseas tourists would have been considerably less, probably only one hundred thousand a year. Apartheid cost us a considerable amount of tourist revenue. In the apartheid years we had no black or Indian South African tourists and obviously few from the rest of Africa, and the development of the tourist industry was delayed by apartheid policies.

The Western Cape was not as badly affected by sanctions as other areas of South Africa, as we did not have minerals or other major industries, like motor vehicle plants. The wine exports were small, the fruit industry suffered but where the Western Cape felt the effects of sanctions most was in the high-tech businesses. These businesses were dependent on the import of foreign technology and exports, which were in many cases restricted by sanctions. The fruit industry was affected by overseas consumer boycotts and this resulted in the industry using labels not directly identifiable with South Africa. Exports of fruit from the Western Cape had a specific appeal but this was lost, if there was no reference to that area on the label. The exports of fruit to the smaller dealers in Germany were not as susceptible to consumer boycotts as were the fruit exports to German supermarkets, but fruit exports to Britain were vulnerable to consumer boycotts.

Civil disturbances did not affect the area as severely as other parts of the country. The black population was small, and the coloureds were not as politically motivated as the blacks. In addition the Western Cape was far away from the centre of the major civil

disturbances. With regard to military conscription the Western Cape suffered more than the rest of the country, as it was endeavouring to develop a more sophisticated economy. The area did not have the benefit of a mining industry, nor was there a defence industry in the area. The price of gold did not have the same impact on the Western Cape as in the mining area, the region's growth was more stable, less subject to fluctuations in the price of metals. Overall, Thomas was of the view that being far from the major South African markets and being subject to stricter labour laws had benefited the Western Cape, in that it had influenced the growth of the specialised high-tech service industries.

University of Cape Town

JOHN DRAKE : INTERVIEW ON 8 SEPTEMBER 2006.

Drake joined Shell/BP in 1969 as Company Secretary. He continued with Shell when it became a separate trading operation in South Africa, initially as Retail Director.

After an overseas assignment he became Managing Director, Coal Division, and then Managing Director, Oil Division, and was thereafter in 1993 appointed as Chief Executive Officer for Shell in South Africa. Shell was involved in oil refining and marketing, coal exports, chemicals and metals. In the early 1990s Shell sold its metals business and in the mid-1990's sold their coal business. Shell, as a company, prospered when the South African economy prospered, but Drake held that, as a result of apartheid, the South African economy underperformed.

The major adverse impact of apartheid on Shell, and in fact on the entire oil industry, was the creation of Sasol, which converted coal into oil, and the development of the Mossel Bay oilfields. These investments had a major impact on the profitability of the oil industry in South Africa. The investments in Sasol and Mossel Bay oil were made to ensure that South Africa was less reliant on imported oil, as South Africa was concerned that the growing strength of the Anti-Apartheid movement would make it more difficult for South Africa to obtain fuel supplies. Drake was of the view that the subsidies these companies received could have been better utilised in meeting some of South Africa's socio-economic needs. The result of oil being produced at Sasol and Mossel Bay was that the oil industry's refineries were under-utilised, and they had to export product into an overseas market which, at times, was over-supplied. As a result the prices they obtained for their exports were reduced.

The other major impact of apartheid on Shell was the poor image of South Africa in overseas markets, which affected their coal exports. Many customers would not buy South African coal, and this affected the price they received for their exports. Shell

brought prospective customers to South Africa to show them Shell's good labour practices, and in particular the housing they provided for their employees at their mines. Yet because Shell traded in South Africa and the country had a poor image overseas, Shell's international trading operations were affected by boycotts and unfavourable consumer reaction. *A Century in Oil*, the history of Shell Transport and Trading Company referred to the pressures on Shell to disinvest from South Africa.

Holmes, the Chairman of Shell International, said:

Outside South Africa we were hated by the anti-apartheid groups, because we were determined not to leave under duress, indeed not to leave at all – we felt we could do more good by being there than by making an empty gesture, and leaving the country would have been an empty gesture.⁴²⁵

Drake said that the South African tax rates at the beginning of the period were not excessive in comparison to those in other countries, but they were slow, however, when following world trends to reduce tax rates. Job reservation and the coloured labour preference policy did not have a major impact on Shell. The oil industry, other than their mining operations, was capital intensive, and if they experienced skill shortages, particularly at senior level, they could always obtain the skilled staff they needed from overseas sources within Shell's international group. As far as the Western Cape was concerned, it did not have any plants in the area, their major depots were in Alberton in the Transvaal and Durban and their refinery was in Natal.

A concern expressed by Drake was that the government diverted extensive cash resources into maintaining the security establishment and financing the Bantustans. This expenditure, together with the tax and other incentives provided to border

⁴²⁵ Howarth, *A Century in Oil*, pp.370-1.

industries, diverted funds away from education and other socio-economic needs. He said that the biggest problem South Africa faced was the education of the blacks, coloureds and Indians, in order that they might play a meaningful role in the South African economy; in his view one of the major adverse impacts of apartheid was the poor education provided to the non-whites, which could take more than a generation to overcome. With regard to trade union activity in South Africa, as far as Shell was concerned they had a normal employer - trade union relationship. The Mineworkers' Union in the United States took militant action against South African coal exports to Europe, but this, in Drake's view, was not for political reasons, but to protect the mineworker's jobs in the United States.

On the question of Shell's profitability, he said that there was not much competition in the oil industry in South Africa. When the local economy grew, the oil industry prospered. He considered that the apartheid years saw a steady deterioration in moral standards as overseas sanctions against South Africa increased.

The Group Areas Act did have an impact on Shell as they could trade through their own properties in non-white areas. They however retailed their product through dealer-owned sites in these areas, which were exciting areas for development. Civil disturbances in South Africa were more of an inconvenience than a major problem to Shell. Drake was of the view that South Africa managed its mineral resources in such a manner that the Southern African economy was not adversely affected. He did not consider that South Africa suffered from the 'Resources Curse' and in fact, many countries with large natural resources managed their economies in a non-inflationary manner, notably Norway, Brunei and Malaysia. He even stated that the talk of the 'Dutch Disease' was not valid, as the Netherlands had handled their large oil stocks in a conservative manner.

University of Cape Town

KENNETH MARCUS : INTERVIEW ON 20 SEPTEMBER 2006

Marcus was first involved, as an apprentice, in the medical supply industry in the early 1960s. In 1963 he became a sales representative in the industry with Marcus Medical (MM), later occupying administrative positions, and finally becoming the Managing Director. Marcus was Chairman of the Cape Town Chamber of Commerce's Foreign Trade Committee in the early 1980s, becoming President of the Chamber in 1991.

MM's main business is the import and distribution of medical and surgical products, referred to in the industry as medical devices, but the company was not involved in the pharmaceutical industry. The head office of the company is situated in Cape Town, but it carries on business throughout South Africa. Marcus was of the view that the high level of taxation was a disincentive to companies, and even more so on individuals. Staff members were not motivated to earn more, as the fiscus took an ever bigger share as their income increased. The levels of company taxation were such as to restrict investment within or without the company.

Job reservation did not apply to MM, and the company since its inception had adopted non-discriminatory labour practices in terms of race or sex. The founders of the company had fled Germany in order to avoid the anti-semitic policies adopted in that country prior to the Second World War. Conscription did not have much impact on the company as it generally only employed females and males who were 24 or 25 years old, having completed their military training. MM did have problems in the sourcing of coloured medical technologists, as the poor school education they received made it difficult for them to train as technologists. In fact there was also a shortage of white technologists, as the technical colleges were not producing sufficient numbers. As the

industry became more sophisticated, technologists began to require a higher level of training.

The Group Areas Act did not adversely affect the company, and in fact the government's policy of erecting hospitals in areas accessible to the formally disadvantaged benefited MM. In Marcu's view first world medical care was provided to all members of the South African society in the apartheid years and these services were provided by people with first-world training. In his view the overall standard of the health services provided to the South African population in that period was better than it is now. Neither the coloured labour preference policy nor the government's policy of providing decentralisation benefits had any impact on the company. Import control did not affect the company, nor did exchange control as health care was deemed to be an essential industry.

Marcus commented on the position of a number of American companies who invested in South Africa. Whilst the South African economy was doing well they were happy to continue doing business in South Africa. When there was a downturn in the South African economy and they were subject to pressure by the Anti-Apartheid movement, they then disinvested from South Africa, particularly as this country provided a small part of their global earnings. During the apartheid years, MM's overseas principals generally did not visit South Africa, because of their dislike of the country's political policies. They were also nervous of the violence in the country. This made it easier for MM as they did not have their principals looking over their shoulder in South Africa. They left MM alone, as long as their sales performance was satisfactory. They were very happy to make money out of South Africa, but were reluctant to come here. During the period MM did not have the support of its overseas principals in dealing with customers in both the private and public sectors.

Trade sanctions and boycotts had no impact as they did not apply to healthcare and education. Insurrection and civil disturbances resulted in greater demands on the health services, leading to a greater demand for MM's products. There were problems in some cases when sales representatives, especially females, were unable to go into certain areas, to provide necessary technical assistance and training.

Marcus said the poor moral standards which existed in South Africa in the years under apartheid have continued into the new era and the legacy of corruption is still with us.⁴²⁶ Overall, apartheid did not have an adverse impact on MM and its profitability, but changes brought about since 1992 have severely impacted on the company.

⁴²⁶ Interview with Kenneth Marcus on 20.9.2006, Annexure E.

RAYMOND ACKERMAN : INTERVIEW ON 24 OCTOBER 2006

Ackerman has been Chairman of Pick 'n Pay since 1967 and was also Chief Executive until 1995. Pick 'n Pay is a food and general merchandise retailer, operating nationally in South Africa and internationally. Its head office is in Cape Town.

Ackerman said that the large army and security costs resulted in a heavy tax burden on business and on the individual, but the greatest impact of apartheid was on the moral side. He said that he, and other businessmen, had to spend so much time on non-business matters and he was involved in a number of community organizations, which negotiated with government for an alleviation of the burden of apartheid. As he was not able to devote all his time to the company, this had a major effect on the manpower and productivity of the company and its profits.

Military conscription affected the company, as staff was called up for military training. This made it difficult to build a management core. It also encouraged bribery and corruption, while many young people left South Africa to avoid military service and because of unhappiness with the political situation, which exacerbated the skills shortage. In Ackerman's view the legacy of the poor education system for the people of colour, especially blacks, is with us today. We are paying the price of the of the disastrous education policy of the apartheid years. Ackerman said that the job reservation legislation, and in particular the coloured labour preference policy in the Cape, made it difficult to run a business.

In Ackerman's book Hearing Grasshoppers Jump he referred to the interview he had with Prime Minister Vorster who gave his approval to Pick 'n Pay employing black managers.⁴²⁷ It was the policy of the company to provide loans to their managers for

⁴²⁷ Ackerman, Hearing Grasshoppers Jump, pp.90-91.

housing, but the Group Areas Act prohibited black managers purchasing houses in white areas. The company purchased land and erected houses for these black managers, but this was illegal and the houses could have been taken away by the government. Generally the Group Areas Act restricted Pick 'n Pay's operations, as only 40% of the country was open to them.

Ackerman said that the result of the apartheid policies was that, in that period the world was closing itself against South Africa. He said that the company had had difficulty keeping up-to-date with international trends in retailing and they had had problems in investigating new trends in the industry. With regard to sanctions Pick n' Pay sourced 95% of their merchandise in South Africa, so that sanctions didn't have a major impact on the company. He said that the adverse impact of apartheid on tourism can be seen when one looks at the tremendous boom in tourism since the establishment of a fully democratic South Africa. Since 1995 we have seen many new large hotels being erected in Cape Town. He said that one could not measure how much tourist revenue South Africa lost during the apartheid years. He said that civil disturbances had had a major impact on the company and 1976 was the beginning of the bad times. One had had to build up the company or get out and many international companies had from then on disinvested in South Africa.

Pick 'n Pay was the first company to recognize black trade unions. Prior to this, staff relations were difficult, in that should there be labour dispute, there was no one to talk to. A further impact of apartheid was the control of the oil industry, which prevented reasonable competition, and this position still applies today.

Whilst apartheid impacted on the profitability of the company, the tough times made Pick n' Pay more skilled than overseas businesses, but the company could not expand

into Southern Africa. In Ackerman's opinion South Africa was held back by apartheid in every way: morale, immigration, education, fear of the future, fear of black/white confrontation. Finally Ackerman commented that South Africa is today so much better than in the past; the black government has been successful and there are huge opportunities that did not exist in the past. South Africa is the engine room of the whole of Africa.

University of Cape Town

INTERVIEW WITH PROFESSOR HERMANN GILIOMEE ON 31.3.2007

Giliomee was appointed a lecturer in history at the University of Stellenbosch in 1967, and a professor of political studies at the University of Cape Town in 1984, retiring in 1998.

He is very sceptical about the motives of people who have said that they endeavoured to avoid paying taxes in the apartheid years for political reasons. He sees this as a retrospective rationalization, as a result of their guilty feelings they have about their behaviour in the apartheid years. Their motives were suspect, even if they said that they had adopted this action, due to their opposition to the excessive expenditure on the security establishment.

With regard to job reservation, and in particular the coloured labour preference policy in the Western Cape, he said that these policies were purely ideological and political; the coloured labour preference policy did not succeed in 'stemming the tide' of black immigration to the Western Cape and had in fact created a skills shortage. By the mid-1970s coloureds were being more and more used in administrative positions. The Group Areas legislation moved the poor far from their places of employment, in contrast to the position, elsewhere in the world, where generally the poor lived close to their work. Decentralisation policies as applied in South Africa had not worked. Small Afrikaner businesses said that in the apartheid years SANLAM had siphoned off capital, which should have gone to them, and thus they had not received the benefits which as Afrikaners they should have received.

Giliomee said if more liberal policies had been adopted in South Africa in the period there would never have been stability. If the United Party had come into power in 1948, there would, in his view, not have been a stable environment in South Africa.

He said that the United Party would have introduced a qualified limited franchise for all races by the early 1960s. If this had occurred the position in South Africa would have been very unsettled, somewhat like what occurred in Argentina. If South African society had collapsed in 1970, South Africa would have faced the larger evil of communism.

He was of the view that liberal policies would have resulted in tremendous costs in terms of stability. He did not accept the view that liberal policies always had a positive outcome, particularly in South Africa, which had come out of colonialism. In his view there would have been serious trouble in South Africa, if the transition to full democracy occurred before the fall of communism.

Giliomee said that there was less corruption under apartheid than there is now, as in those earlier years the Afrikaners had the ideal of apartheid, but now there was only greed. He referred to an article which recorded the views of a Polish visitor to South Africa in 1970, who said that the country was the least corrupt society he had visited. In Giliomee's view there were fewer civil disturbances in the Cape, than in the rest of the country during the period under review, and throughout South Africa civil disturbances were concentrated in short periods in the early 1960s, in 1974 and in the 1980s. He was of the view that there had been a fall off in business morals and that greed had created problems in the South African economy. By the end of the 1960s the government's policies were rapidly losing their moral foundation and they had to evolve policies which would enable them to survive. The major adverse economic impact of apartheid on the Western Cape was in respect of the tourist industry. The fear factor discouraged tourists from visiting South Africa and this resulted in the Western Cape not achieving its tourist potential.

INTERVIEW WITH GERALD SHAW ON 4.4.2007.

Shaw held senior editorial positions with the Cape Times newspaper from 1973 to 1996, but he was only involved in the editorial side of the newspaper. Obviously the newspaper had to make profits to survive, but in the early years there was strong editorial independence, however, towards the end of apartheid, there had been greater emphasis on profits, and more interference by the directors in the editorial content of the newspaper.

With regard to job reservation, and the coloured labour preference policy, the Cape Times had problems in employing black journalists as they could not obtain the approval of the authorities to employing them. He said that it had been raised that the coloured population was not inclined to do manual labour but he mentioned that a large number of coloureds had previously been employed by local authorities as manual labourers. With regard to the tax burden Shaw said that, during the apartheid years, South Africa was fighting two surrogate wars in Angola, and in Mozambique with its support for Renamo which opposed the government. The budget vote for defence tripled in these years and in addition there was the enormous cost of the Bantustans.

No empirical data is available as to the extent of corruption in the apartheid period, as it was swept under the carpet, but towards the end of the apartheid years corruption raised its head and there was the trial of Piet du Plessis for corruption and Fanie Botha resigned under suspicious circumstances. For most of the time corruption was covered up, in contrast to the position now where corruption is widely reported on by the media, but the culture of corruption continues under the new dispensation.

Shaw referred to the Tomlinson Commission which was set up in 1954 to investigate the socio-economic development of the Bantustans and discussions he later had with

Dr. Tomlinson, who said that even if white capital had poured into the Bantustan areas, and industries had been set up, the best hope there was that one-third of the rural population of the Bantustans would move into these industries. Millions would have to have to be invested, and Shaw doubted that whites would have been prepared to make this sacrifice. Even then no magisterial district in South Africa would have had a majority of whites and in his view the decentralisation policy never worked. He commented on Giliomee's statement that if United Party had won 1948 election, they would have granted a qualified franchise to all of the population. He said that the United Party had right-wing sentiments, particularly after the more liberal elements broke away to form the Progressive Party in 1959, and he did not think it at all likely that the United Party would have taken this course of action.

In Shaw's view there were strong links between the business and the government in the P.W. Botha era. Businessmen felt more optimistic in the hope, rather naively, that the tri-cameral parliament could provide an answer to South Africa's problems, even though the blacks were excluded.

Apartheid had left a legacy of low moral standards and business ethics had deteriorated. In the apartheid years, respect for the law declined in the light of the repressive and illogical laws which were introduced. Shaw quoted the words of George Soros, the noted financier, who said that self-interest had been elevated to become a moral principle.

University of Cape Town

Annexure F

**QUESTIONNAIRE – IMPACT OF APARTHEID ON COMMERCE AND
INDUSTRY 1960-1990 (Used in Interviews).**

1. NAME

2. WHAT POSITION DID YOU HOLD IN BUSINESS OVER THE PERIOD ?

**3. WHAT WAS THE NATURE OF YOUR EMPLOYER'S BUSINESS
ACTIVITIES ?**

**4. WHICH OF THE FOLLOWING FACTORS HAD THE MAJOR ADVERSE
IMPACT ON YOUR OWN OR OTHER BUSINESSES AND WHY?**

- **High levels of taxation**
- **Job reservation in restricting certain occupations to whites.**
- **Group Areas Act in restricting the operation of businesses to certain demarcated areas.**
- **Coloured labour preference policy in the Western Cape.**
- **Decentralisation benefits to areas outside Western Cape.**
- **Poor overseas image of potential tourists of South Africa as a result of apartheid.**
- **Trade sanctions, consumer boycotts and overseas trade union activity.**
- **Civil disturbances in South Africa**

- **Military conscription.**

5. DID APARTHEID HAVE ANY ADVERSE IMPACT ON YOUR BUSINESS OTHER THAN DETAILED UNDER 4 ?

6. WAS THE PROFITABILITY OF THE BUSINESSES AFFECTED BY APARTHEID?

7. IF SO TO WHAT EXTENT?

8. ANALYSE THE IMPACT OF APARTHEID ON YOUR BUSINESS OVER THE YEARS FROM 1960-1990. IN WHICH YEARS WAS THE IMPACT SEVERE AND IN WHICH YEARS WAS IT NOT SO SEVERE?

9. WHAT INVOLVEMENT DID YOU HAVE IN POLITICAL OR COMMUNITY ORGANISATIONS OVER THE PERIOD?